SAN FRANCISCO PUBLIC LIBRARY
3 1223 03473 4997

5/S

San Francisco Public Library

Consumer Information Center
San Francisco Public Library
100 Larkin Street, 2nd Floor
San Francisco, CA 94102

REFERENCE BOOK

Not to be taken from the Library

SAN FRANCISCO HOUSING AUTHORITY
440 Turk Street • San Francisco CA • 94102 • (415) 554-1200

NOTICE

THE REGULARLY SCHEDULED MEETING OF THE
SAN FRANCISCO HOUSING AUTHORITY COMMISSION
WILL BE HELD ON THURSDAY, NOVEMBER 14, 2002 AT 4:00 P.M.
AT 440 TURK STREET, SAN FRANCISCO, CALIFORNIA, 94102

AGENDA
November 14, 2002

1. ROLL CALL

   Sululagi Palega, Sr., President
   Julie Lee, Vice President
   George R. Brown, Commissioner
   Betty J. Smith, Commissioner
   Andrew J. Clark, Commissioner
   Neola Gans, Commissioner

DOCUMENTS DEPT.
NOV 12 2002
SAN FRANCISCO
PUBLIC LIBRARY

2. APPROVAL OF AGENDA

3. APPROVAL OF MINUTES

   - October 24, 2002 Regular Commission Meeting

4. GENERAL COMMUNICATIONS

5. REPORT OF SECRETARY

6. COMMITTEE REPORTS

   Diversity Committee - Nothing to Report
   Finance Committee – Report of November 12, 2002 Meeting
   Personnel Committee – Nothing to Report

7. REPORT OF GENERAL COUNSEL

8. TENANT REPRESENTATIVE REPORT:

City Wide Council - Senior/Disabled
Public Housing Tenants Association (PHTA)

9. PUBLIC COMMENTS ON AGENDA ITEMS: LIMITED TO 2 MINUTES

NOTE: *The public will have the opportunity to comment on agenda items prior to any action taken by the Commission pursuant to the San Francisco Housing Authority Rules Governing Public Testimony adopted 2/23/95 as Resolution No. 4423. Prior to adjournment, after Item No. 11, the public will have the opportunity to comment on items not on the agenda.*

10. UNFINISHED BUSINESS - None

11. NEW BUSINESS

(A) RESOLUTION RATIFYING THE APPROVAL AND EXECUTION OF A MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN THE SAN FRANCISCO HOUSING AUTHORITY AND THE ELECTRICIAN'S UNION LOCAL 6

(B) RESOLUTION RATIFYING THE APPROVAL AND EXECUTION OF A MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN THE SAN FRANCISCO HOUSING AUTHORITY AND THE GLAZIERS' UNION LOCAL 718

(C) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR AND THE PRESIDENT OF THE BOARD OF COMMISSIONERS TO SIGN THE SECTION 8 MANAGEMENT ASSESSMENT PROGRAM (SEMAP) CERTIFICATION

(D) RESOLUTION APPROVING THE CERTIFICATION FOR THE PUBLIC HOUSING ASSESSMENT SYSTEM (PHAS) INDICATOR #3, MANAGEMENT OPERATIONS, FOR FISCAL YEAR 2002

(E) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE DOCUMENTS AND TAKE ACTIONS PERTAINING TO THE FINANCING OF NORTH BEACH PLACE, INCLUDING A MIXED FINANCE AMENDMENT, DECLARATION OF TRUST AND RESTRICTIVE COVENANTS, GROUND LEASES, REGULATORY AND OPERATING AGREEMENT, HOPE VI LOAN DOCUMENTS, OPTION AGREEMENTS, SUBORDINATION AGREEMENTS, REVITALIZATION SERVICES AGREEMENT, RECIPROCAL EASEMENT AGREEMENT, NOTICE OF SPECIAL RESTRICTIONS, CERTIFICATIONS, AND OTHER DOCUMENTS

4 49383 SFPL: ECONO JRS
75 SFPL 06/06/03 73

3 1223 03473 4997

(F) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A CONTRACT WITH MODULAR INFORMATION SYSTEMS TO SUPPORT THE SAN FRANCISCO HOUSING AUTHORITY IN ITS SEARCH FOR NEW FINANCIAL AND HOUSING SOFTWARE

(G) RESOLUTION APPROVING THE WRITE-OFF OF VACATED TENANT ACCOUNTS RECEIVABLE IN THE AMOUNT OF $453,286.48 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

- ANNOUNCEMENT REGARDING THE SECOND MEETING IN NOVEMBER AND THE SECOND MEETING IN DECEMBER 2002

12. PUBLIC COMMENTS ON ITEMS NOT ON AGENDA

13. CLOSED SESSION

A Closed session is scheduled with General Counsel and outside counsel under Government Code Section §54956.9 (b)(1) to discuss potential litigation (case name unspecified to avoid jeopardizing existing settlement negotiations); and a closed session is scheduled with the Executive Director, General Counsel, and Agency Negotiators as authorized by California Government Code §54957.6(a): Agency Negotiators: Glenda Powell, Rufus Davis, Cynthia Black, Mike Roetzer. Employee Organization: Service Employees International Union, Local 790, AFL-C10

14. RECONVENING OF THE COMMISSION MEETING

15. COMMISSIONER'S COMMENT AND REPORT

16. ADJOURNMENT

GREGG FORTNER, Secretary/Executive Director

SAN FRANCISCO HOUSING AUTHORITY
440 TURK STREET • SAN FRANCISCO • CALIFORNIA • 94252 • (415) 554-2600

Commission Meeting

PACKET

November 14, 2002

DOCUMENTS DEPT.
DEC 1 8 2002
SAN FRANCISCO
PUBLIC LIBRARY

San Francisco Public Library
Attn: Government Information Center

SAN FRANCISCO HOUSING AUTHORITY
440 Turk Street • San Francisco CA • 94102 • (415) 554-1200

NOTICE

THE REGULARLY SCHEDULED MEETING OF THE
SAN FRANCISCO HOUSING AUTHORITY COMMISSION
WILL BE HELD ON THURSDAY, NOVEMBER 14, 2002 AT 4:00 P.M.
AT 440 TURK STREET, SAN FRANCISCO, CALIFORNIA, 94102

AGENDA
November 14, 2002

1. ROLL CALL

   Sululagi Palega, Sr., President
   Julie Lee, Vice President
   George R. Brown, Commissioner
   Betty J. Smith, Commissioner
   Andrew J. Clark, Commissioner
   Neola Gans, Commissioner

DOCUMENTS DEPT.
DEC 18 2002
SAN FRANCISCO
PUBLIC LIBRARY

2. APPROVAL OF AGENDA

3. APPROVAL OF MINUTES

   - October 24, 2002 Regular Commission Meeting

4. GENERAL COMMUNICATIONS

5. REPORT OF SECRETARY

6. COMMITTEE REPORTS

   Diversity Committee - Nothing to Report
   Finance Committee – Report of November 12, 2002 Meeting
   Personnel Committee – Nothing to Report

7. REPORT OF GENERAL COUNSEL

8. TENANT REPRESENTATIVE REPORT:

City Wide Council - Senior/Disabled
Public Housing Tenants Association (PHTA)

9. PUBLIC COMMENTS ON AGENDA ITEMS: LIMITED TO 2 MINUTES

NOTE: *The public will have the opportunity to comment on agenda items prior to any action taken by the Commission pursuant to the San Francisco Housing Authority Rules Governing Public Testimony adopted 2/23/95 as Resolution No. 4423. Prior to adjournment, after Item No. 11, the public will have the opportunity to comment on items not on the agenda.*

10. UNFINISHED BUSINESS - None

11. NEW BUSINESS

(A) RESOLUTION RATIFYING THE APPROVAL AND EXECUTION OF A MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN THE SAN FRANCISCO HOUSING AUTHORITY AND THE ELECTRICIAN'S UNION LOCAL 6

(B) RESOLUTION RATIFYING THE APPROVAL AND EXECUTION OF A MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN THE SAN FRANCISCO HOUSING AUTHORITY AND THE GLAZIERS' UNION LOCAL 718

(C) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR AND THE PRESIDENT OF THE BOARD OF COMMISSIONERS TO SIGN THE SECTION 8 MANAGEMENT ASSESSMENT PROGRAM (SEMAP) CERTIFICATION

(D) RESOLUTION APPROVING THE CERTIFICATION FOR THE PUBLIC HOUSING ASSESSMENT SYSTEM (PHAS) INDICATOR #3, MANAGEMENT OPERATIONS, FOR FISCAL YEAR 2002

(E) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE DOCUMENTS AND TAKE ACTIONS PERTAINING TO THE FINANCING OF NORTH BEACH PLACE, INCLUDING A MIXED FINANCE AMENDMENT, DECLARATION OF TRUST AND RESTRICTIVE COVENANTS, GROUND LEASES, REGULATORY AND OPERATING AGREEMENT, HOPE VI LOAN DOCUMENTS, OPTION AGREEMENTS, SUBORDINATION AGREEMENTS, REVITALIZATION SERVICES AGREEMENT, RECIPROCAL EASEMENT AGREEMENT, NOTICE OF SPECIAL RESTRICTIONS, CERTIFICATIONS, AND OTHER DOCUMENTS

(F) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A CONTRACT WITH MODULAR INFORMATION SYSTEMS TO SUPPORT THE SAN FRANCISCO HOUSING AUTHORITY IN ITS SEARCH FOR NEW FINANCIAL AND HOUSING SOFTWARE

(G) RESOLUTION APPROVING THE WRITE-OFF OF VACATED TENANT ACCOUNTS RECEIVABLE IN THE AMOUNT OF $453,286.48 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

- ANNOUNCEMENT REGARDING THE SECOND MEETING IN NOVEMBER AND THE SECOND MEETING IN DECEMBER 2002

12. PUBLIC COMMENTS ON ITEMS NOT ON AGENDA

13. CLOSED SESSION

A Closed session is scheduled with General Counsel and outside counsel under Government Code Section §54956.9 (b)(1) to discuss potential litigation (case name unspecified to avoid jeopardizing existing settlement negotiations); and a closed session is scheduled with the Executive Director, General Counsel, and Agency Negotiators as authorized by California Government Code §54957.6(a): Agency Negotiators: Glenda Powell, Rufus Davis, Cynthia Black, Mike Roetzer. Employee Organization: Service Employees International Union, Local 790, AFL-C10

14. RECONVENING OF THE COMMISSION MEETING

15. COMMISSIONER'S COMMENT AND REPORT

16. ADJOURNMENT

GREGG FORTNER, Secretary/Executive Director

DOCUMENTS DEPT.

DEC 18 2002

SAN FRANCISCO
PUBLIC LIBRARY

HOUSING AUTHORITY
OF THE
CITY AND COUNTY OF SAN FRANCISCO

Minutes of Regular Meeting
Thursday, October 24, 2002

440 Turk Street
San Francisco, California

The Housing Authority of the City and County of San Francisco met in a regularly scheduled meeting at 440 Turk Street, San Francisco, California on Thursday, October 24, 2002, at 4:00 p.m.

President Sululagi Palega called the meeting to order at 4:10 p.m.

1. ROLL CALL

Roll call found the following members to be:

PRESENT: *Sululagi Palega, Sr., President (excused at 4:45 p.m.)*
Julie Lee, Vice President
George R. Brown, Commissioner
Betty J. Smith, Commissioner
Andrew Clark, Commissioner (excused at 5:35 p.m.)
Neola Gans, Commissioner

A quorum was present.

ALSO PRESENT: *Mr. Gregg Fortner, Executive Director/Secretary*
Mr. Carl L. Williams, General Counsel

2. APPROVAL OF AGENDA

President Palega requested that the Agenda be amended to add Rev. Boyd's address to the Commission proceeding the approval of the Agenda. Executive Director Gregg Fortner asked that Item E under, New Business, be removed from the Agenda. Commissioner Clark moved to approve the agenda as amended. Commissioner Smith seconded the motion. The motion to approve the agenda was carried by a unanimous vote.

Rev. Boyd addressed the Board of Commissioners and the public. Rev. Boyd announced that over the weekend he was sworn in as a Commissioner for the Planning Commission of San Francisco. Due to this new appointment, he would no longer be serving on the Housing Commission. Rev. Boyd expressed his appreciation for the Housing Commission's collegiality and stated that his experience with the Commission has expanded and enlightened his perspective. Rev. Boyd said that he did not take this position lightly and thanked Mayor Brown for the opportunity. Furthermore, Rev. Boyd

stated his appreciation and admiration for Gregg Fortner and his diligent efforts. He strongly encouraged the Commission to give Mr. Fortner a contract.

3. APPROVAL OF MINUTES

Commissioner Brown moved to approve the minutes of the October 10, 2002 Regular Commission Meeting. Commissioner Clark seconded the motion. The motion to approve the minutes was carried by a unanimous vote.

4. GENERAL COMMUNICATIONS

Executive Director Gregg Fortner reported that the Log of Commissioners' Requests had been updated. Mr. Fortner asked the Commission to carefully review the contents of the Commission folder. Included in the folder was the Final Report of the Court Appointed Monitor in the Truong v. SFHA, the Testimony of Buddy Choy, the HTVN Program Schedule, the Resident Hiring Policy/ Minimum Dollar Thresholds, Edgar Boyd's letter of resignation, and the update of tenants Sheree LeBlanc, and Roanae Kent.

5. REPORT OF SECRETARY

Executive Director Gregg Fortner asked that everyone observe a moment of silence for Billy Taylor who tragically died the previous week. Proceeding the observation, Mr. Fortner commended Billy Reed on his retirement after 24 years of service. Executive Director Gregg Fortner read, and presented Billy Reed with a framed resolution acclaiming his service to the San Francisco Housing Authority. Mr. Reed accepted the presentation and expressed his appreciation to the Commission and the San Francisco Housing Authority. Mr. Reed commented that his heart would always treasure his experience and all of the people he has met at the Housing Authority.

6. COMMITTEE REPORTS

Diversity Committee
Commissioner Smith reported that the Diversity Committee met on October 23, 2002. During the meeting reports were given by staff regarding management and diversity compliance, vacancy concerns, and inadequate home-care. Commissioner Smith reported that everyone who used to live in the North Beach development had been relocated. In addition, assistance is being given to tenants through the initiation of a clothing closet program for the disabled.

Finance Committee
President Palega announced that the Finance Committee would be meeting on November 12, 2002 at 4:30 p.m.

Personnel Committee
President Palega asked Commissioner Brown if he would serve on the Personnel Committee. Commissioner Brown gladly accepted the appointment.

7. REPORT OF GENERAL COUNSEL

General Counsel Carl Williams asked the Commission to consider the holiday schedule of the regularly scheduled Commission meetings. The second scheduled meeting in November falls on the Thanksgiving holiday, and the second scheduled meeting in December falls on the day after the Christmas holiday. Mr. Williams encouraged the Commission to decide at the November 14th meeting, if the meetings scheduled close to holidays would be cancelled, and if any Special Meetings would be called. Mr. Williams stated that the items noticed under Closed Session would be discussed therein.

8. TENANT REPRESENTATIVE REPORT

City Wide Council - Senior/Disabled
President William Vitalie thanked Executive Director Gregg Fortner for attending their general meeting on October 21, 2002. Mr. Vitale also reported that on November 18, 2002 the City Wide Council – Senior/Disabled will hold a seminar, Taking Charge When Life is Out of Control. The organization is also leading a donation effort for their party on December 10, 2002. Mr. Vitale solicited suggestions for a successful donation drive.

Public Housing Tenants Association (PHTA)
There was no report from the Public Housing Tenants Association.

9. PUBLIC COMMENTS ON AGENDA ITEMS: LIMITED TO 2 MINUTES

NOTE: *The public will have the opportunity to comment on agenda items prior to any action taken by the Commission pursuant to the San Francisco Housing Authority Rules Governing Public Testimony adopted 2/23/95 as Resolution No. 4423. Prior to adjournment, after Item No. 11, the public will have the opportunity to comment on items not on the agenda.*

LaWanna Preston representing the Local 790 SEIU commented on contract issues and explained that there are threats of six people being laid off, but the names will not be revealed. Ms. Preston stressed that these are working conditions no one should be subjected to.

10. UNFINISHED BUSINESS:

There was no unfinished business

11. NEW BUSINESS

Prior to the Commission's consideration of New Business items A through D, Executive Director Gregg Fortner suggested that due to the related nature of the resolutions, they simultaneously be considered for approval. The Commissioners agreed to do so.

RESOLUTION No. 5059

(A) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO RENEW THE SAN FRANCISCO HOUSING AUTHORITY'S GENERAL LIABILITY INSURANCE AND EXECUTE A PURCHASE ORDER FOR PAYMENT TO THE HOUSING AUTHORITY RISK RETENTION GROUP IN AN AMOUNT NOT TO EXCEED $1,677,744.00

RESOLUTION No. 5060

(B) RESOLUTION AUTHORIZING THE EXECUTION OF AN INSURANCE POLICY WITH AND PAYMENT TO THE UNIGARD INSURANCE COMPANY FOR FLEET INSURANCE COVERAGE FOR FISCAL YEAR 2002-2003 IN AN AMOUNT NOT TO EXCEED $257,890.00

RESOLUTION No. 5061

(C) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A PURCHASE ORDER TO PAY THE HOUSING AUTHORITY RISK RETENTION GROUP FOR GENERAL LIABILITY DEDUCTIBLES FOR THE 2002-2003 POLICY YEAR IN AN AMOUNT NOT TO EXCEED $300,000.00

RESOLUTION No. 5062

(D) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO RENEW THE SAN FRANCISCO HOUSING AUTHORITY'S PROPERTY INSURANCE AND EXECUTE A PURCHASE ORDER FOR PAYMENT TO THE HOUSING AUTHORITY PROPERTY INSURANCE COMPANY IN AN AMOUNT NOT TO EXCEED $676,800.00

Victoria Adams, Risk Manager in the Office of General Counsel presented the details of the resolutions. Ms. Adams stated that Resolution A was for the renewal of the liability coverage with the Housing Authority Risk Retention Group (HARRG). HARRG has provided liability coverage in the areas of bodily injury, property damage, public officials, lead base paint, law enforcement, employee benefits, and owned/ non-owned hired vehicles since 1986. The renewal premium for the liability coverage was higher than last year's amount. Ms. Adams stated that due to the climate of today's market, there was no alternative and all of the premiums were increased by a mandated 10%.

Commissioner Clark questioned why there was no alternative to HARRG. Ms. Adams stated that no additional quotes were received. Commissioner Clark also asked how the

four brokerage firms were chosen. Ms. Adams answered that the Authority must ensure that the brokerage firms can solicit companies that provide commercial liability and these four did. Commissioner Clark asked if the two responses received were quotes. Ms. Adams explained that the correspondence received by the Authority were notices of interest. Commissioner Clark explained that in a previous conversation with Mr. Fortner, he had inquired about professional liability coverage, and wanted to know if this had been addressed by HARRG. Ms. Adams affirmed that it had, and is referred to as director's and officials coverage. The director's and officials coverage in this policy is one million dollars per occurrence and a one million dollar aggregate. Commissioner Clark wanted to know if there was a company that provided consulting to review the SFHA insurance needs and get the most for the money spent. Ms. Adams informed the Commissioners that the brokerage firms have auditors that thoroughly assess the current coverage of the SFHA and provide recommendations based on their determinations. Furthermore, the brokerage firms found that most companies are not willing to underwrite coverage for this type of business. Mr. Fortner stated that in the future an RFP could be administered to solicit consulting companies. In response to Commissioner Clark's question, Ms. Adams stated that the last day of the current policy is October 31, 2002.

General Counsel Carl Williams requested that Ms. Adams detail when the brokerage firms were obtained, how long the SFHA searched the market, and the current market conditions. Ms. Adams explained that the initial contact with various brokerage firms began in late May. By June, these firms were given information about the SFHA that would help assess the Authority's insurance needs and began the solicitation process. In August, the brokerage firms reported that there were no companies that there were willing to underwrite the SFHA insurance coverage. Insurance companies consider housing a "hard market," therefore, it is difficult to determine how much will potentially be spent and insurance companies prefer not to provide coverage. Furthermore, Ms. Adams informed the Commission that insurance companies have yet to determine how much will be spent to cover the claims of the tragedy of September 11, 2001 and have overwhelmingly decided not to underwrite new businesses in a hard market.

Commissioner Clark asked why only one week was permitted for review before the cancellation of the SFHA insurance coverage. Ms. Adams explained that this insurance company was only willing to underwrite one million dollars prior to October 1, 2002. The excess coverage was quoted 30 days before the expiration of the 2001-2002 insurance policy.

Commissioner Smith asked if HARRG is the same company insuring the SFHA now, and whether there are any issues with their service. Mr. Williams stated that the SFHA has no problems with the coverage provided by HARRG. The only occasional issues that arise derive from the administration of the policy regarding whether or not a claim is covered and if HARRG will indemnify for it. Mr. Williams urged the Commission to approve the insurance resolutions.

Commissioner Lee expressed that she is in agreement with Commissioner Clark. She also believes that the Authority should do a better job of ensuring that the SFHA is properly covered. Commissioner Clark reiterated his primary concerns. He believed that with the proper policy review, the appropriate coverage could have avoided the current litigation issues, and help prevent new litigation matters. Ms. Adams declined to comment given the confidential nature of Commissioner Clark's concerns. Ms. Adams affirmed that HARRG is the only company willing to provide the SFHA with insurance coverage.

The Commissioners decided to vote on the approval of New Business Items A-D individually.

Commissioner Brown moved to approve Resolution No. 5059. Commissioner Smith seconded the motion. Resolution No. 5059 was approved by a unanimous vote.

Regarding New Business Item B, Commissioner Clark asked if HARRG provides automobile insurance coverage, and if so, why are we not utilizing their services for the fleet. Ms. Adams responded that HARRG does provide auto insurance, but the adoption of this resolution would continue an already existing policy. In addition, HARRG has made no indication that they could provide the SFHA with a better bargain that $1200 per vehicle.

Commissioner Brown moved to approve Resolution No. 5060. Commissioner Gans seconded the motion. Resolution No. 5060 was approved by a unanimous vote.

Ms. Adams explained that the resolution under New Business Item C would enable the establishment of a purchase order to make monthly installments on the general liability insurance deductible. Commissioner Smith asked how much the monthly invoices would be. Ms. Adams stated that the amount varies based on the number of claims submitted at one time. Mr. Fortner clarified that New Business Item C is in relation to how New Business Item A will be paid. Commissioner Clark asked for an estimated cost. Ms. Adams stated that last year, $246,700 was paid towards the deductible.

Commissioner Clark moved to approve Resolution No. 5061. Commissioner Brown seconded the motion. Resolution No. 5061 was approved by a unanimous vote.

Commissioner Clark asked if there was a deductible for the Fleet insurance. Ms. Adams answered that there is. The insurance pays for the repair less the $1,000 deductible for a collision and $250 deductible for comprehension. The Housing Authority pays the difference.

In reference to New Business item D, Commissioner Brown asked if the increased amount was due to the additional coverage of Bernal Dwellings. Ms. Adams affirmed his question and added that the increased cost is also attributed to the current nature of the market.

Commissioner Clark moved to approve Resolution No. 5062. Commissioner Gans seconded the motion. The motion to approve Resolution No. 5062 was passed by a unanimous vote.

12. PUBLIC COMMENTS ON ITEMS NOT ON AGENDA

Jacquelina Laurent was not present to address the Commission.

Joyce Dawson was not present to address the Commission.

Brenda Pierce was not present to address the Commission.

13. CLOSED SESSION

Vice President Lee announced that the Commission had concluded its public agenda items and would go into closed session. A closed session was scheduled with the Executive Director, General Counsel and outside counsel under Government Code 54957 regarding the Employment Agreement between the Executive Director and the San Francisco Housing Authority; also consultation with General Counsel and Executive Director regarding ongoing litigation procedures and policies regarding enforcement of San Francisco Housing Authority Residential Dwelling Lease. The specific identification of pending cases was not disclosed to avoid jeopardizing possible resolution and to avoid prejudicing the position of the SFHA; and consultation with the Executive Director and General Counsel regarding pending litigation. The Commission went into closed session at 5:02 p.m.

14. RECONVENING OF THE COMMISSION MEETING

The Commission reconvened at 5:52 p.m. The Commission met in closed session to discuss the items noticed on the agenda. The Commissioners present in the closed session were Vice President Lee and Commissioners Smith, Brown, Clark, and Gans. Commissioner Lee announced that the Commission unanimously approved the execution of the Executive Director Gregg Fortner's contract. General Counsel Carl Williams added that New Business Item F, regarding the Executive Director's contract was discussed in closed session.

RESOLUTION No. 5063

(F) RESOLUTION AFFIRMING THAT THE SAN FRANCISCO HOUSING AUTHORITY EXECUTE AN EMPLOYMENT AGREEMENT WITH EXECUTIVE DIRECTOR GREGG FORTNER; AND RESOLUTION AUTHORIZING THE EXECUTION OF THE EMPLOYMENT AGREEMENT

BETWEEN THE SAN FRANCISCO HOUSING AUTHORITY AND EXECUTIVE DIRECTOR GREGG FORTNER

Commissioner Clark excused himself from the Closed Session at 5:35 p.m. Prior to leaving, he casted an affirmative vote in favor of item F.

Resolution No. 5063 was approved by a unanimous vote.

15. COMMISSIONER'S COMMENT AND REPORT

There were no comments or reports from the Commission.

16. ADJOURNMENT

There being no further business to come before the Commission, Vice President Lee adjourned the meeting. The regularly scheduled meeting of October 24, 2002 was adjourned at 5:54 p.m.

Gregg Fortner, Secretary/Executive Director

Julie Lee, Vice President

A

SAN FRANCISCO HOUSING AUTHORITY

440 TURK STREET • SAN FRANCISCO, CA 94102 • PHONE (415) 554-1260 • FAX (415) 554-1268

DOCUMENTS DEPT.

DEC 1 8 2002

SAN FRANCISCO
PUBLIC LIBRARY

Date: October 31, 2002

To: San Francisco Housing Authority Commissioners

Sululagi Palega, Sr., President
Julie Lee, Vice President
Neola Gans, Commissioner
George R. Brown, Commissioner
Betty J. Smith, Commissioner
Andrew Clark, Commissioner

From: Gregg Fortner, Executive Director

Subject: Resolution Ratifying the Approval and Execution of a Memorandum of Understanding (MOU) Between the San Francisco Housing Authority and the Electricians' Union Local 6

OVERVIEW

These negotiations have been completed and pursuant to the provisions of Government Code Sections 3500 et seq. (Meyers-Milias-Brown Act), the new MOU and ratification resolution are now being presented to your Commission for approval.

OBJECTIVES & ANTICIPATED OUTCOME

Pursuant to the provisions of Government Code Section 3500 et seq. to ratify the latest MOU with the Authority's Maintenance Electricians and to effect its various provisions pertaining to wages, hours and terms and conditions of employment so that the Authority is in compliance with HUD prevailing wage regulations.

WHO BENEFITS

The Authority benefits by having a MOU with its Maintenance Electricians that is in compliance with HUD regulations and that was negotiated pursuant to the provisions of the Meyers-Milias-Brown Act. The Authority also benefits from stronger management rights, performance management and zipper clauses, a standardized grievance procedure, and an overall standardization of language common among other craft MOUs. The unit members will derive various economic benefits from certain provisions of this MOU and its duration will serve to promote long-term, stable and harmonious relations with this group of employees over the next four (4) years.

BUDGET CONSIDERATIONS

All costs associated with the execution of the aforementioned MOU for this fiscal year have been budgeted and will be cost allocated as appropriate and in accordance with Federal regulations to the various funding sources of the Authority. The total costs from October 1, 2002 through September 30, 2003 are approximately $35,000. Costs for fiscal years 2004, 2005 and 2006 are not yet determinable as the wage increases are dependent upon future negotiations between the Union and the City & County of San Francisco for those years.

RESIDENT EMPLOYMENT

The Union is committed in its efforts to work with the Authority to promote resident union membership and employment and conveyed a strong willingness and desire to promote apprenticeships among the residents of public housing.

MBE/WBE STATUS

No Impact

RECOMMENDATION

Adopt the attached resolution to approve the execution of the MOU between the Authority and the and the Electricians' Union Local 6 to be effective October 1, 2002 through September 30, 2006, a copy of which is attached as Exhibit A.

Attachments

(Prepared by Paul Howard)

RESOLUTION NO._____

DATE ADOPTED_____

RESOLUTION RATIFYING THE APPROVAL AND EXECUTION OF A MEMORANDUM OF UNDERSTANDING BETWEEN THE SAN FRANCISCO HOUSING AUTHORITY AND THE THE ELECTRICIANS' UNION LOCAL 6

WHEREAS, the San Francisco Housing Authority ("Authority") and the Electricians' Union Local 6 (Union), have reached agreement on certain issues related to the compensation and terms and conditions of employment for unit members, pursuant to Government Code Sections 3500 et seq. (Meyers-Milias-Brown Act); and

WHEREAS, all costs associated with execution of the aforementioned Memorandum of Understanding will be cost allocated as appropriate and in accordance with Federal Regulations to the various funding sources of the Authority.

NOW, THEREFORE, BE IT RESOLVED THAT, the Board of Commissioners of the Authority hereby ratifies and approves the execution of the Memorandum of Understanding between the Authority and the Union for the period from October 1, 2002 through September 30, 2006, a copy of which is attached hereto as Exhibit A.

APPROVED AS TO FORM AND LEGALITY:

Carl L. Williams, General Counsel

REVIEWED BY:

Gregg Fortner, Executive Director

MEMORANDUM OF UNDERSTANDING BETWEEN

THE SAN FRANCISCO HOUSING AUTHORITY

AND

THE ELECTRICIANS' UNION LOCAL 6

OCTOBER 1, 2002 THROUGH SEPTEMBER 30, 2006

TABLE OF CONTENTS

	Preamble	Pg. 1
Article 1	Effect and Term of Agreement	Pg. 1
Article 2	Support of Agreement	Pg. 1
Article 3	Separability	Pg. 1
Article 4	Zipper Clause	Pg. 2
Article 5	Management Rights	Pg. 2
Article 6	Representation and Security	Pg. 2
Article 7	Union Rights	Pg. 3
Article 8	Work Covered	Pg. 3
Article 9	Nondiscrimination	Pg. 4
Article 10	Safety and Security	Pg. 4
Article 11	Labor/Management Committee	Pg. 4
Article 12	Outside Contracting	Pg. 4
Article 13	No Strike Clause	Pg. 5
Article 14	Employee Selection	Pg. 5
Article 15	Status, Seniority and Layoff	Pg. 5
Article 16	Performance and Discipline	Pg. 6
Article 17	Employee/Employer Disputes	Pg. 7
Article 18	Grievance Procedure	Pg. 7
Article 19	Clothing, Tools, Equipment & Drivers License	Pg. 10
Article 20	Wages and Fringe Benefits	Pg. 10
Article 21	Workday, Workweek & Overtime	Pg. 11
Article 22	Leaves	Pg. 12
	Signatories	Pg. 13

PREAMBLE

This Memorandum of Understanding (hereinafter "MOU") is entered into by the San Francisco Housing Authority (hereinafter "Authority") and the Electricians' Union Local 6 (hereinafter "Union"), The Authority and the Union (hereinafter "Parties") mutually acknowledge their commitment and obligation to provide the highest possible quality of service to the clientele of the Authority. In discharging this commitment, the Parties reaffirm their responsibility to deliver service in the most efficient, effective and courteous manner at all times. The Parties agree to comply with all applicable laws, including provisions of the *Meyers-Milias-Brown Act* and all administrative regulations promulgated by the Department of Housing and Urban Development (hereinafter "HUD"), including Authority policies, procedures and practices that are not inconsistent with this MOU.

ARTICLE 1
EFFECT AND TERM OF AGREEMENT

It is understood and agreed that the provisions of this MOU shall prevail over Authority practices and procedures and over State laws to the extent permitted by such law, and that in the absence of specific MOU provisions, such practices and procedures are discretionary with the Authority to the extent permitted by State law. In no instance will Authority policies and procedures confer upon covered individuals benefits greater than those specifically provided for under the provisions of this MOU. This MOU is made and entered into as of the 1st day of October, 2002, by and between the Parties. The Parties agree to the provisions of the following articles through September 30, 2006.

ARTICLE 2
SUPPORT OF AGREEMENT

Except as otherwise provided for herein, the Parties agree to support this MOU for its term and neither will appear before the other to seek change or improvement in any matter subject to the negotiation process, except by mutual agreement of the Parties.

ARTICLE 3
SEPARABILITY

If any provision of this MOU is held to be contrary to law by a court of competent jurisdiction, such provisions will not be deemed valid and subsisting except to the extent permitted by law, but all other provisions will continue in full force and effect. In the event of suspension or invalidation of any article or section of this MOU, the Parties agree to meet and negotiate within sixty (60) days after such determination to arrive at a mutually satisfactory replacement for such article or section.

ARTICLE 4
ZIPPER CLAUSE

This MOU contains the full and entire understanding of the Parties regarding the matters herein and may only be modified in writing upon mutual consent of the Parties. The Parties agree that all past practices, side letters and other understandings between the Parties, not expressly memorialized and incorporated into this MOU, shall no longer be enforceable.

ARTICLE 5
MANAGEMENT RIGHTS

1. Except as otherwise provided herein, it is understood and agreed that the Authority retains all of its powers and exclusive rights to organize, direct, manage and control its operations to the fullest extent of the law, including but not limited to, the right to determine its organization; direct the work of its employees; establish the times and hours of operation; determine the kinds and levels of services to be provided, and the methods and means of providing these services; establish policies, goals and objectives; determine staffing patterns, including the number and kinds of personnel required; maintain the efficiency of Authority operations; build, move or modify facilities; determine and establish budgetary procedures and allocation; determine the methods of raising revenue; contract out work; and take action on any matter in the event of an emergency. Additionally, the Authority retains the right to classify duties, allocate positions to classes, hire, classify, assign, evaluate, promote, discipline and terminate an individual's employment.

2. The exercise of the foregoing powers, rights, authority, duties and responsibilities by the Authority, the adoption of policies, rules, procedures, and practices in the furtherance thereof, and the use of judgment and discretion in connection therewith, shall be limited only by the specific and express terms of this MOU; and then only to the extent such specific and express terms are in conformance with law.

3. The Authority retains its right to amend, modify or suspend policies, procedures and practices referred to in this MOU in cases of emergency as provided in Public Contract Code Section 20654. Any amendment, modification or suspension shall be for a period no longer than the length of the emergency.

ARTICLE 6
REPRESENTATION & SECURITY

1. The Union has been certified by the Housing Authority Commission as the exclusive representative for Journey Electricians, Apprentices, and Forepersons. This MOU applies to employees in these classes who are employed in the Maintenance Program. All individuals covered by this MOU on its effective date, who are Union members in good standing, shall remain so.

2. Should an individual fail to render the admission fee or fails to maintain membership in accordance with the provisions of this section, the Union shall notify the Authority, in writing, and the individual shall be discharged from employment immediately.
3. Regular dues will be deducted from member paychecks in accordance with Authority procedures and upon voluntary written authorization by the member that is in accordance with the requirements of Section 300 of the California Labor Code. Dues deduction authorization may be revoked in the same fashion with a copy of such notice sent to the Union. All other legal and required deductions have priority over Union dues. Dues withheld by the Authority shall be transmitted to the designee identified in writing by the Union who is authorized to receive such funds. The Authority shall charge no service fee for the deduction and transmission of such dues and the Union shall indemnify, defend and hold harmless the Authority against any claim or suit related to such activity. The Union shall refund any amount paid in error upon presentation of supporting evidence.

ARTICLE 7
UNION RIGHTS

The Union's designated officers (Business Representatives and Stewards) shall have the following rights in addition to the rights contained in any other section of this MOU.

- The right to job specifications, performance standards and rules of conduct that will enable the Union to fulfill its role as the certified representative of the individuals dispatched under this MOU.
- The right to distribute this MOU to individuals dispatched to the Authority.
- The right to hold meetings on an "as needed" basis with members; however, such meetings shall be held prior to or after normal working hours, whenever possible.
- The Union shall be entitled to appoint a maximum of one (1) Steward who is a Journey Electrician, and who shall in addition to his/her normal work, be permitted to perform during working hours, Union duties that cannot be performed at other times. Such duties shall be performed as expeditiously as possible and the Authority shall allow Stewards a reasonable amount of time for the performance of said duties. The Union shall immediately notify the Authority in writing of each Steward appointment.

ARTICLE 8
WORK COVERED

The scope of work covered by this MOU shall include, but not necessarily be limited to all items covered in the Inside Wiremen Agreement (IWA).

ARTICLE 9
NONDISCRIMINATION

1. The Authority agrees not to discriminate against any employee because of membership in the Union or because of any activities on behalf of the Union. In any event, such activities shall not interfere with the normal operations of the Authority.

2. The Parties agree to support the principles of Equal Employment Opportunity and will obey all laws and regulations regarding discrimination against any employee or applicant for employment because of religion, race, color, national origin, age, sex, sexual preference, or disability. The Authority will not, nor will the Union cause the Authority to, discharge or otherwise discriminate against any employee based on any of the above categories.

ARTICLE 10
SAFETY & SECURITY

1. The Parties agree that it is in the best interests to all concerned to provide a safe, secure, and healthy working environment. The Authority and the individuals covered by this MOU agree to abide by the safety standards established by the State Department of Industrial Relations and comply with the Occupational Safety and Health Act.

2. To assure that health and safety hazards are handled in a timely fashion, the following procedures shall be followed: (1) employees shall report health or safety hazards to their immediate supervisor; (2) if the immediate supervisor is unable to abate the hazard, the matter shall be referred to the Authority's Director of Occupational Safety & Health who will meet with the employee and immediate supervisor regarding the matter; (3) if the matter cannot be resolved by the Authority's Occupational Safety & Health Director, it will be referred to that individual's immediate superior. Following these steps, unresolved items maybe referred to CALOSHA.

ARTICLE 11
LABOR / MANAGEMENT COMMITTEE

The Parties agree to continue the Labor/Management Committee that will meet as mutually agreed to discuss employment conditions. The committee membership shall consist of no more than two (2) Union members who are Authority employees and no more than three (3) individuals selected by Authority. The Union may select additional individuals who are not Authority employees.

ARTICLE 12
OUTSIDE CONTRACTING / COMPETITIVE BIDDING

1. Authority Resolution No. 2304 regarding Competitive Bidding authorizes and directs management to engage in outside competitive contracting at its discretion. All work that is put out to bid will be at the prevailing wage rates for the appropriate classifications in accordance with the regulations established by the Department of

Housing and Urban Development, the policies of the Authority, federal regulations where Davis-Bacon wage rates are required, and local ordinances when city funds are utilized.

2. The Authority shall notify the Union in writing of relevant bidding processes and upon award of the contract, the name of the contractor(s), the starting date and the location of the project(s).

ARTICLE 13
NO STRIKES

1. The Parties agree there shall be no strike, lockout or work stoppage by either party. The Union may withhold individuals from dispatch or picket the Authority for non-payment of wages or trust fund contributions. The curtailment of operations for business reasons shall be at the sole discretion of the Authority and shall not be considered a lockout.
2. The observance of the picket line of another organization sanctioned by San Francisco Building and Construction Trades Council or the San Francisco Central Labor Council shall not be considered a violation of this article.

ARTICLE 14
EMPLOYEE SELECTION

1. **Dispatch**
   Upon faxed, e-mailed or phone notification by the Authority Human Resources staff, the Union shall expeditiously dispatch the requested classes and numbers of individuals to the Authority's Human Resources office for processing and hiring.

2. **Forepersons**

   Foreperson selection and appointment shall occur from the Journey Electrician ranks and shall be at the sole discretion of the Authority. The Union shall be notified of all such appointments and compensation at the higher rate will begin on the first day that the individual begins to perform the higher level duties.

3. **Apprentices**
   The Parties agree that every effort shall be made to recruit Apprentices from the public housing resident and Section 8 population in recognition of the federal requirement that the Authority's work force consist of 25% of these individuals.

ARTICLE 15
STATUS, SENIORTY & LAYOFF

1. Individuals are on probationary status for the first sixty (60) calendar days of their employment and may be discharged during this period without cause and without recourse through the grievance procedure. At the Authority's discretion, workdays missed during this time may be added to the end of the probationary period.

2. Individuals who pass the sixty (60) day probationary period will accrue seniority from their initial hire date.

3. Seniority is defined as the length of continuous paid employment in the Authority's Maintenance Program. Seniority shall be retained, but shall not accrue during unpaid leaves of absence that exceed thirty (30) calendar days in length. Lay-off and re-hire shall be based on accrued seniority in accordance with these provisions.

4. Lay-off notice shall be in writing stating the reason(s) for lay-off. Individuals being laid off will be sent home at the close of business immediately following receipt of the written notice; however, their names will remain active on the payroll for three (3) additional days before being terminated. Final paychecks will be distributed at the time of notice and will include the three (3) additional days pay. These provisions do not apply to individuals in the 60 day probation period.

5. The Steward shall be the last employee laid off provided he/she is qualified and able to perform the available work and the Foreperson shall be the second to last to be laid off.

6. In accordance with the above seniority provisions, individuals who are laid off shall have re-hire rights to the class from which they were laid off for a maximum period of twelve (12) months following the employment termination date. These provisions do not apply to individuals in the 60 day probation period.

ARTICLE 16
PERFORMANCE & DISCIPLINE

1. The Authority reserves the right to establish performance standards for all classifications covered by this MOU. Any probationary employee who does not meet acceptable standards of performance shall be instructed to cease work and return to the Union Hall. That individual shall not be dispatched to the Authority for future jobs. Discharge for cause after sixty (60) calendar days of employment is subject to the grievance procedure.

2. The Authority shall establish reasonable rules and regulations concerning the conduct and performance of individuals covered by this MOU. The Union shall be given prior notice of the establishment of such rules and regulations. The standard Authority *Performance Evaluation Factors* are attached as Appendix A.

3. The Authority reserves the right to take appropriate disciplinary action including, the immediate dismissal of individuals for violation of the Rules of Conduct or failure to meet performance standards as outlined in Appendix A . Violation of

the Rules of Conduct shall include, but not be limited to possession of intoxicants (including alcohol and drugs) on the Authority's premises; being under the influence of intoxicants (including alcohol and drugs) during working hours; insubordination; theft; falsification of records, including employment records, work records or time cards; gross negligence; dishonesty; fighting or inciting others to fight on Authority premises or during working time; failure to possess and maintain a valid California driver's license or uninsurability by the Authority's insurance carrier; unauthorized use of the Authority's property or vehicles; deliberate destruction of any property not belonging to the employee; concealment of defective work; sleeping on the job, failure to report to work for two (2) consecutive work days without notice to the Authority; and excessive tardiness. The Union shall not dispatch to the Authority individuals who have been discharged for cause.

4. Individuals who receive a written letter of reprimand that is placed in their personnel file, may within 30 days of the letter, place in their personnel a written response to the reprimand.

ARTICLE 17
EMPLOYEE / EMPLOYER DISPUTE ARBITRATION

All disputes or controversies arising out of, or relating to, an application for employment, employment and/or termination of employment will be settled exclusively by final and binding arbitration before an arbitrator selected by the Parties. By way of example only, such claims include claims under federal, state, and local statutory or common law, such as the Age Discrimination in Employment Act, Title VII the Civil Rights Act of 1964, as amended, including the amendments of the Civil Rights Act of 1991, the Americans with Disabilities Act, California Fair Employment and Housing Act, Family Medical Leave Act, California Family Rights Act, the law of contract, and the law of tort. Each individual covered by this MOU shall sign a letter to abide by this provision.

ARTICLE 18
GRIEVANCE PROCEDURE

The following procedures are adopted by the Parties to provide for the orderly and efficient disposition of grievances and are the sole and exclusive procedures for resolving grievances as defined herein.

1. **Definition**
   A grievance shall be defined as any dispute that involves the interpretation, application of, or compliance with this MOU, including only disciplinary actions that involve suspension or termination. Grievances that proceed beyond step one of the process may be filed only by the Union. The Parties agree that the grievance procedure and arbitration are the sole remedy for resolving disputes that arise from this MOU.

2. **Eligibility**

All members of the bargaining unit can use the grievance process as a method to resolve alleged violations of specific provision(s) of this MOU. The process is also available to the Union for the resolution of issues as defined under **Definition** above. The Union shall initiate the grievance process at Step Two.

3. **Time Limits**

The time limits set forth herein may be extended or waived by mutual agreement of the Parties. Any such agreement must be confirmed in writing. For purposes of time calculation, a "day" is defined as a "working day"; thus, excluding weekends and holidays. Failure by the Authority to respond within the time limits at any level shall be implied as a negative response to the grievance and the Union shall have the right to proceed to the next level. Failure by the Union at any step in the process to adhere to specified time limits shall nullify the grievance and the right to grieve shall be waived and lost.

4. **Steps of the Procedure**

The grievance procedure is a four-level sequential process. Except for grievances involving multiple employees, all employee-initiated grievances must begin at Step One of the procedure. The step procedures set forth herein may be modified or waived by mutual agreement of the Parties. Any such agreement must be in writing.

A. **Step One - Immediate Supervisor**

An employee shall first attempt to resolve the alleged violation or dispute with his/her immediate supervisor. Not later than the tenth (10^{th}) working day after an employee knew, or should have known, of the alleged violation, the employee and/or his/her representative shall memorialize in written form the grievance to the employee's immediate supervisor and, thereafter, explain orally the grievance to the employee's immediate supervisor. The supervisor shall memorialize in written form a decision and present it to the employee and/or her/his representative within seven (7) working days of receiving the grievance in written form.

B. **Step Two - Human Resources Director**

If the alleged violation is not resolved informally with the immediate supervisor, the Union shall submit the grievance on behalf of the represented employee, in writing, to the Human Resources Director or designee within seven (7) working days after receipt of the immediate supervisor's decision. Union initiated grievances shall commence at this step in the process. The Union must file a written grievance with the Human Resources Director within seven (7) working days of the Step One decision. The Human Resources Director or designee shall render a

written decision setting forth the Authority's position within ten (10) working days after receipt of grievances at this level.

Skelly hearings involving disciplinary actions occur at this level, but are not subject to the filing time frames contained in these provisions.

C. **Step Three - Executive Director**

If the response from the Human Resources Director is unsatisfactory to the employee and/or the Union, the Union may elevate the grievance to the Executive Director or designee within seven (7) working days after receipt of the Step Two decision. The Executive Director or designee may convene a grievance meeting within fifteen (15) working days with the Union and one (1) bargaining unit member in addition to the grievant. The Executive Director shall respond to the grievance within fifteen (15) working days of the meeting, or if none is held, within twenty (20) working days of receipt of the appeal from the Step Two response. Grievances alleging improper dismissal must be filed in writing at Step Three, within seven (7) working days after such dismissal.

D. **Step Four - Arbitration**

If the Union is dissatisfied with the Step Three response, it may appeal by notifying the Human Resources Director, in writing, within fifteen (15) days of the Step Three decision that arbitration is being invoked. The Parties shall select an arbitrator within fifteen (15) days of receipt of the Unions written notice of its intent to arbitrate.

E. **Accelerated Grievance Procedure**

In the event there is a dispute regarding the implementation or application of this MOU that immediately affects the Union or a substantial number of its members, and that will result in harm for which monetary relief would be an insufficient remedy, either party may request, and with agreement from the other party, may submit the grievance immediately to the appropriate level agreed to by the Parties thus, bypassing all lower levels. The Union must notify the Authority in writing of its intent to request use of the Accelerated Grievance Procedure within ten (10) working days after the Union knew or should have known of the alleged violation.

F. **Arbitration, Arbitrators & Fees**

1. The Parties agree that any arbitration decision will be binding on all parties.

2. The arbitrator shall be selected by mutual agreement of the Parties. If the Parties are unable to agree upon an arbitrator, they shall request a list of five (5) arbitrators from the California State Mediation and Conciliation Service. Upon receipt of such list, the Parties shall alternately strike one (1) name from the list until one (1)

name remains. The party striking the first name shall be determined by the flip of a coin. Except when an agreement of the facts is submitted by the Parties, it shall be the duty of the arbitrator to hear and consider the evidence submitted by the Parties, make written findings of fact, and render a disposition that shall be final and binding on the Parties. The arbitrator shall have no power to amend this agreement or to recommend amendment.

3. Fees and expenses incurred for the arbitrator shall be borne equally by both parties. Fees and expenses incurred for a reporter shall be borne solely by the party requesting such service. If both Parties agree to the reporter services, the fees and expenses shall be shared equally by the Parties.

ARTICLE 19
WORK CLOTHING, TOOLS, EQUIPMENT & DRIVERS LICENSE

Within fifteen (15) days following initial appointment, the Authority shall provide two (2) sets of the required uniform items/overalls that individuals must wear along with their photo ID badges during work hours. Each fiscal year thereafter, the Authority will continue to provide a total of three (3) additional sets of uniform items/overalls per employee, to be distributed on or about November 15th and May 15th.

The Parties agree that each shall provide the required tools in accordance with the provisions of the IWA. The Authority shall not be held responsible for normal wear or breakage to employee provided tools.

The Authority shall provide inclement weather gear when and where conditions dictate.

The Parties agree that the maintenance of a valid driver's license and insurability by the Authority's auto insurance carrier is an important element for successful job performance. The Parties acknowledge that individuals cannot legally operate Authority vehicles without a valid license. The Parties further agree that individuals suffering a revocation or suspension of their drivers license will immediately notify their Foreperson who will immediately notify his/her immediate superior so that appropriate actions can be taken, e.g. allowing the individual to ride with a licensed co-worker, if practical to do so. The Authority decisions in these matters are discretionary and non-grievable.

ARTICLE 20
WAGES & FRINGE BENEFITS

1. The Journey Electrician total compensation package shall be increased in accordance with the following schedule and as detailed and allocated in Appendix B.

   October 1, 2002 - 5.0% of the total taxable hourly wage.
   October 1, 2003 - Same percentage increase that CCSF negotiates for Electricians from July 1, 2003 to June 30, 2004. The entire increase shall be calculated and applied October 1, 2003 in the same fashion as described for the 2002 increases.

October 1, 2004 - Same percentage increase that CCSF negotiates for Electricians from July 1, 2004 to June 30, 2005. The entire increase shall be calculated and applied October 1, 2004 in the same fashion as described for the 2002 increases.

October 1, 2005 - Same percentage increase that CCSF negotiates for Electricians from July 1, 2005 to June 30, 2006. The entire increase shall be calculated and applied October 1, 2005 in the same fashion as described for the 2002 increases.

2. The Apprentice wage rates shall be those of *Apprentice Percentage Schedule* in the IWA(s) in effect during the period of this MOU.
3. The Foreperson taxable hourly wage shall be 12.5% above the Journey Electrician taxable hourly wage.
4. Vacation/Holiday trust fund allocations shall be twelve percent (12%) of the total taxable hourly wage.
5. Fringe benefit categories shall be those identified in Appendix B. Contributions and remittances will be made as detailed in Appendix B of this MOU and as modified each year by the Union. Contributions and remittances will be made to the appropriate trust fund and any reallocation or formula changes shall occur only on July 1st of each year of this MOU. The Union shall notify the Authority in writing of any such changes and reallocations shall be effective no later than the second pay period following receipt of such notice.
6. Health and Welfare hourly contributions shall be adjusted each July 1st of this MOU to reflect the average monthly dollar change identified in the CCSF Health Service Board 10 County Survey.
7. Unless otherwise provided in this MOU or attachments, hourly base wages must be reduced to accommodate trust fund allocation increases each July.

ARTICLE 21
WORKDAY, WORKWEEK & OVERTIME

This article defines the normal hours of work and overtime provisions and shall not be construed as a guarantee of hours of work per day nor of days of work per week.

1. **WORK DAY**

   The normal workday shall be eight (8) hours between the hours of 8:00 A.M. and 4:30 P.M.

2. **WORK WEEK**

   The normal workweek shall consist of 40 hours of work, Monday through Friday.

3. **SHOW-UP TIME**

   When individuals covered under the terms of this MOU are required to report to work, they shall be paid a minimum of four (4) hours; and for all hours worked beyond four (4) hours in that calendar day.

4. **CALL BACK**

Call back pay shall be a minimum of two (2) hours and subject to the overtime provisions in this MOU, if applicable.

5. **OVERTIME**

A. When workload necessitates or emergencies arise, the Authority has the right to request individuals to work more than eight (8) hours. Overtime will be paid according to the following schedule.

Weekdays - In excess of 8 hours = Double Time (2x).

Saturdays, Sundays & Holidays – Double Time (2x) the total taxable hourly for all hours worked.

B. Individuals who are working on overtime rates prior to midnight, and who continue to work past midnight, shall be treated as working one continuous day for overtime calculation purposes. (Midnight under this scenario will not be considered a new day and the individual shall continue to receive the overtime rate as long as he/she works continuously).

6. **ALTERNATE WORK SCHEDULES & SHIFTS**

The Authority, at its discretion, shall retain the right to establish a "swing shift" in accordance with the provisions of the IWA.

7. **HOLIDAYS**

Recognized holidays are New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Veterans' Day, Thanksgiving, the Friday following Thanksgiving Day, and Christmas Day. If any of the above holidays fall on a Saturday the preceding Friday shall be observed as the holiday. Holidays that fall on Sunday, the following Monday shall be observed as the holiday. Except for the preceding holidays, individuals desiring to work shall be allowed to do so, even if the Authority is otherwise closed for business, (e.g. Admissions Day, Veterans' Day, and Lincoln's Birthday).

8. **MEAL PERIODS**

Meal periods are one half (½) hour, do not count as time worked, and are not compensable in any way.

ARTICLE 22
LEAVES

Witness or Jury Duty Leave

Paid leave shall be granted to any individual while going to and from or while serving on jury duty, or answering a subpoena in any case that they are not a litigant. Any jury or witness fee awarded, excluding mileage, shall be deposited with the Authority upon receipt by the individual.

SIGNATORIES

This MOU has been entered into in accordance with the provisions contained in article I, on this ____ day of October 2002 by the following:

Electricians' Negotiation Team:

_____

Kevin Hughes, Business Agent

Housing Authority Representative:

_____

Paul Howard, Chief Negotiator

ANNUAL AND PROBATIONARY EMPLOYEE PERFORMANCE EVALUATION FORM

PROBATIONARY EMPLOYEE
- ❑ FIRST
- ❑ SECOND

REGULAR EMPLOYEE
- ❑ ANNUAL

NAME (Last First Initial)	SOCIAL SECURITY NUMBER	REPORT DATE
POSITION TITLE		DATE PROBATION ENDS

DEPARTMENT NAME	DIVISION/UNIT	EMPLOYEE'S WORK LOCATION

YOUR WORK PERFORMANCE WILL DETERMINE WHETHER YOU OBTAIN REGULAR EMPLOYMENT STATUS

QUALIFICATION FACTORS	RATINGS ARE INDICATED BY "X" MARKS			
	UNACCEPTABLE	DEVELOPMENT NEEDED	STANDARDS ACHIEVED	OUTSTANDING
1. **SKILL**-Expertness in doing specific tasks; accuracy; precision, completeness, neatness, quantity.				
2. **KNOWLEDGE**-Extent of knowledge of methods, materials, tools, equipment, technical expressions and other fundamental object matter.				
3. **WORK HABITS** - Organization of work; care of equipment, punctuality and dependability; industry; follows good practices of vehicle and personal safety.				
4. **RELATIONSHIPS WITH PEOPLE** - Ability to get along with others; effectiveness in dealing with the public, other employees, residents, or vendors.				
5. **LEARNING ABILITY** - Speed and thoroughness in learning procedures, laws, rules and other details; alertness; perseverance.				
6. **ATTITUDE** - Enthusiasm for the work; willingness to conform to job requirements and to accept suggestions for work improvement; adaptability.				
7. **SUPERVISORY ABILITY** *(if applicable)* - Proficiency in training employees and in planning, organizing, assigning and producing work; leadership; ability to communicate orally and in writing, ability to motivate subordinates.				
8. **ADMINISTRATIVE ABILITY** *(if applicable)* – Prompt action; sound decisions, application of good management practices; understanding and effective implementation of departmental and personnel management polices.				
9. **FACTORS NOT LISTED ABOVE** (Use additional sheets if more space is needed.)				
OVERALLL RATING - The over-all rating must be consistent with the factor ratings and comments, but there is no prescribed formula for computing the over-all rating.				

COMMENTS TO EMPLOYEE - *(Supervisor should include factual examples on work especially well or poorly done and give suggestions as to how performance can be improved. Factor and overall ratings of unacceptable and overall ratings of outstanding must be substantiated. Use additional sheets if more space is needed)*

Rater discussed report with employee (Must be attempted) ❑ YES ❑ NO

I RECOMMEND YOU BE GRANTED REGULAR EMPLOYMENT STATUS ❑ YES ❑ NO

RATER'S SIGNATURE	TITLE	DATE SIGNED
EMPLOYEE'S SIGNATURE	DATE SIGNED	❑ I would like to discuss this report with the reviewing officer.

REVIEWING OFFICER'S SIGNATURE	DATE SIGNED	DATE DISCUSSED WITH EMPLOYEE
❑ I concur in the ratings given by the rater. ❑ I have made following changes in this report (Use additional sheets if more space is needed).		

DISTRIBUTION COPIES: 1. Personnel Files 2. Employee 3. Supervisor 4. Miscellaneous

APPENDIX B

ELECTRICIANS LOCAL 6 – MAINTENANCE PROGRAM BASE HOURLY WAGE & FRINGE BENEFITS SCHEDULE FOR THE 2003 FISCAL YEAR

Class	Current Hourly Base Wage	MOU Provision	Hourly Base Wage 10/01/02 See Footnote	Vac/ Hol 10/01/02	H&W 10/01/02	H&W 7/01/03	Pension 10/01/02
Electrician Apprentice	IWA Apprentice % Schedule Applied to Electrician Journey numbers below						
Electrician Journey	$29.34	5.0% of Total Taxable Wage ($33.34)	$30.81	$4.20	$4.86	$5.05	$6.45
Electrician Foreperson	$33.01	12.5% > Journey Taxable Hourly Wage	$34.66	$4.73	$4.86	$5.05	$6.45

Footnote: Unless otherwise provided in this MOU, hourly base wages must be reduced to accommodate trust fund allocation increases each July of this MOU.

B

SAN FRANCISCO HOUSING AUTHORITY

440 TURK STREET • SAN FRANCISCO, CA 94102 • PHONE (415) 554-1260 • FAX (415) 554-1268

DOCUMENTS DEPT.
DEC 18 2002
SAN FRANCISCO
PUBLIC LIBRARY

Date: October 31, 2002

To: San Francisco Housing Authority Commissioners

DOCUMENTS DEPT.
DEC 18 2002
SAN FRANCISCO
PUBLIC LIBRARY

Sululagi Palega, Sr., President
Julie Lee, Vice President
Neola Gans, Commissioner
George R. Brown, Commissioner
Betty J. Smith, Commissioner
Andrew Clark, Commissioner

From: Gregg Fortner, Executive Director

Subject: Resolution Ratifying the Approval and Execution of a Memorandum of Understanding (MOU) Between the San Francisco Housing Authority and the Glaziers' Union Local 718

OVERVIEW

These negotiations have been completed and pursuant to the provisions of Government Code Sections 3500 et seq. (Meyers-Milias-Brown Act), the new MOU and ratification resolution are now being presented to your Commission for approval.

OBJECTIVES & ANTICIPATED OUTCOME

Pursuant to the provisions of Government Code Section 3500 et seq. to ratify the latest MOU with the Authority's Glaziers and to effect its various provisions pertaining to wages, hours and terms and conditions of employment so that the Authority is in compliance with HUD prevailing wage regulations.

WHO BENEFITS

The Authority benefits by having a MOU with its Glaziers that is in compliance with HUD regulations and that was negotiated pursuant to the provisions of the Meyers-Milias-Brown Act. The Authority also benefits from stronger management rights, performance management and zipper clauses, a standardized grievance procedure, and an overall standardization of language common among other craft MOUs. The unit members will derive various economic benefits from certain provisions of this MOU and its duration will serve to promote long-term, stable and harmonious relations with this group of employees over the next four (4) years.

BUDGET CONSIDERATIONS

All costs associated with the execution of the aforementioned MOU for this fiscal year have been budgeted and will be cost allocated as appropriate and in accordance with Federal regulations to the various funding sources of the Authority. The total costs from October 1, 2002 through September 30, 2003 are approximately $21,000. Costs for fiscal years 2004, 2005 and 2006 are estimated at $24,000-$25,000 each year.

RESIDENT EMPLOYMENT

The Union is committed in its efforts to work with the Authority to promote resident union membership and employment and conveyed a strong willingness and desire to promote apprenticeships among the residents of public housing.

MBE/WBE STATUS

No Impact

RECOMMENDATION

Adopt the attached resolution to approve the execution of the MOU between the Authority and the and the Glaziers' Union Local 718 to be effective October 1, 2002 through September 30, 2006, a copy of which is attached as Exhibit A.

Attachments

(Prepared by Paul Howard)

RESOLUTION NO._____

DATE ADOPTED_____

RESOLUTION RATIFYING THE APPROVAL AND EXECUTION OF A MEMORANDUM OF UNDERSTANDING BETWEEN THE SAN FRANCISCO HOUSING AUTHORITY AND THE THE GLAZIERS' UNION LOCAL 718

WHEREAS, the San Francisco Housing Authority ("Authority") and the Glaziers' Union Local 718 (Union), have reached agreement on certain issues related to the compensation and terms and conditions of employment for unit members, pursuant to Government Code Sections 3500 et seq. (Meyers-Milias-Brown Act); and

WHEREAS, all costs associated with execution of the aforementioned Memorandum of Understanding will be cost allocated as appropriate and in accordance with Federal Regulations to the various funding sources of the Authority.

NOW, THEREFORE, BE IT RESOLVED THAT, the Board of Commissioners of the Authority hereby ratifies and approves the execution of the Memorandum of Understanding between the Authority and the Union for the period from October 1, 2002 through September 30, 2006, a copy of which is attached hereto as Exhibit A.

APPROVED AS TO FORM AND LEGALITY:

Carl L. Wlliams, General Counsel

REVIEWED BY:

Gregg Fortner, Executive Director

EXHIBIT A

Memorandum of Understanding Between

The San Francisco Housing Authority

and

The Glaziers Architectural Metal and

Glass Workers Union Local 718

October 1, 2002 through September 30, 2006

TABLE OF CONTENTS

	Preamble	Pg. 1
Article 1	Effect and Term of Agreement	Pg. 1
Article 2	Support of Agreement	Pg. 1
Article 3	Separability	Pg. 1
Article 4	Zipper Clause	Pg. 1
Article 5	Management Rights	Pg. 2
Article 6	Representation and Security	Pg. 2
Article 7	Union Rights	Pg. 3
Article 8	Work Covered	Pg. 4
Article 9	Nondiscrimination	Pg. 4
Article 10	Safety and Security	Pg. 4
Article 11	Labor/Management Committee	Pg. 4
Article 12	Outside Contracting	Pg. 5
Article 13	No Strike Clause	Pg. 5
Article 14	Employee Selection	Pg. 5
Article 15	Status, Seniority and Layoff	Pg. 6
Article 16	Performance and Discipline	Pg. 6
Article 17	Employee/Employer Disputes	Pg. 7
Article 18	Grievance Procedure	Pg. 8
Article 19	Clothing, Tools, Equipment & Drivers License	Pg. 10
Article 20	Wages and Fringe Benefits	Pg. 11
Article 21	Workday, Workweek & Overtime	Pg. 11
	Signatories	Pg. 13

PREAMBLE

This Memorandum of Understanding (hereinafter "MOU") is entered into by the San Francisco Housing Authority (hereinafter "Authority and the District Council 16, Glaziers, Architectural Metal and Glass Workers Union Local 718 (hereinafter "Union"), The Authority and the Union (hereinafter "Parties") mutually acknowledge their commitment and obligation to provide the highest possible quality of service to the clientele of the Authority. In discharging this commitment, the Parties reaffirm their responsibility to deliver service in the most efficient, effective and courteous manner at all times. The Parties agree to comply with all applicable laws, including provisions of the *Meyers-Milias-Brown Act* and all administrative regulations promulgated by the Department of Housing and Urban Development (hereinafter "HUD"), including Authority policies, procedures and practices that are not inconsistent with this MOU.

ARTICLE 1
EFFECT AND TERM OF AGREEMENT

It is understood and agreed that the provisions of this MOU shall prevail over Authority practices and procedures and over State laws to the extent permitted by such law, and that in the absence of specific MOU provisions, such practices and procedures are discretionary with the Authority to the extent permitted by State law. In no instance will Authority policies and procedures confer upon covered individuals benefits greater than those specifically provided for under the provisions of this MOU. This MOU is made and entered into as of the 1st day of October, 2002, by and between the Parties. The Parties agree to the provisions of the following articles through September 30, 2006.

ARTICLE 2
SUPPORT OF AGREEMENT

Except as otherwise provided for herein, the Parties agree to support this MOU for its term and neither will appear before the other to seek change or improvement in any matter subject to the negotiation process, except by mutual agreement of the Parties.

ARTICLE 3
SEPARABILITY

If any provision of this MOU is held to be contrary to law by a court of competent jurisdiction, such provisions will not be deemed valid and subsisting except to the extent permitted by law, but all other provisions will continue in full force and effect. In the event of suspension or invalidation of any article or section of this MOU, the Parties agree to meet and negotiate within sixty (60) days after such determination to arrive at a mutually satisfactory replacement for such article or section.

ARTICLE 4
ZIPPER CLAUSE

This MOU contains the full and entire understanding of the Parties regarding the matters herein and may only be modified in writing upon mutual consent of the Parties. The Parties agree that all past practices, side letters and other understandings between the Parties, not expressly memorialized and incorporated into this MOU, or entered into during the negotiation of this MOU, shall no longer be enforceable.

ARTICLE 5
MANAGEMENT RIGHTS

1. Except as otherwise provided herein, it is understood and agreed that the Authority retains all of its powers and exclusive rights to organize, direct, manage and control its operations to the fullest extent of the law, including but not limited to, the right to determine its organization; direct the work of its employees; establish the times and hours of operation; determine the kinds and levels of services to be provided, and the methods and means of providing these services; establish policies, goals and objectives; determine staffing patterns, including the number and kinds of personnel required; maintain the efficiency of Authority operations; build, move or modify facilities; determine and establish budgetary procedures and allocation; determine the methods of raising revenue; contract out work; and take action on any matter in the event of an emergency. Additionally, the Authority retains the right to classify duties, allocate positions to classes, hire, classify, assign, evaluate, promote, discipline and terminate an individual's employment.

2. The exercise of the foregoing powers, rights, authority, duties and responsibilities by the Authority, the adoption of policies, rules, procedures, and practices in the furtherance thereof, and the use of judgment and discretion in connection therewith, shall be limited only by the specific and express terms of this MOU; and then only to the extent such specific and express terms are in conformance with law.

3. The Authority retains its right to amend, modify or suspend policies, procedures and practices referred to in this MOU in cases of emergency as provided in Public Contract Code Section 20654. Any amendment, modification or suspension shall be for a period no longer than the length of the emergency.

ARTICLE 6
REPRESENTATION & SECURITY

1. The Union has been certified by the Housing Authority Commission as the exclusive representative for Journey Glaziers, Apprentices and Forepersons. This MOU applies to employees in these classes who are employed with the Authority. All individuals covered by this MOU on its effective date, who are Union members in good standing, shall remain so. All individuals employed in the bargaining unit must as a condition of employment, become members in the local Union by the eighth (8^{th}) day of employment and remain in good standing.

2. Regular dues will be deducted from member paychecks in accordance with Authority procedures and upon voluntary written authorization by the member that is in accordance with the requirements of Section 300 of the California Labor Code. Dues deduction authorization may be revoked in the same fashion with a copy of such notice sent to the Union. All other legal and required deductions have priority over Union dues. Dues withheld by the Authority shall be transmitted to the designee identified in writing by the Union who is authorized to receive such funds. The Authority shall charge no service fee for the deduction and transmission of

such dues and the Union shall indemnify, defend and hold harmless the Authority against any claim or suit related to such activity. The Union shall refund any amount paid in error upon presentation of supporting evidence.

3. All individuals accepted into membership shall maintain their continuous good standing in the Union as a condition of employment by paying regular monthly dues and admission fees uniformly paid by other members in the same classification, and in accordance with Union rules.

4. Should an individual fail to render the admission fee or fails to maintain membership in accordance with the provisions of this section, the Union shall notify the Authority, in writing, and the individual shall be discharged from employment immediately.

5. Should the Authority fail or refuse to discharge said individual immediately after being notified by the Union, the Union shall be free to remove all individuals covered by this MOU working for the Authority until said individual is discharged. If the Union chooses to withdraw all individuals as authorized in this section, it shall not constitute a violation of any actual or implied "no strike" obligation under this MOU.

ARTICLE 7
UNION RIGHTS

The Union's designated officers (Business Representatives and Stewards) shall have the following rights in addition to the rights contained in any other section of this MOU.

1. The right to job specifications, performance standards and rules of conduct that will enable the Union to fulfill its role as the certified representative of the individuals dispatched under this MOU.

2. The right to distribute this MOU to individuals dispatched to the Authority and to monitor MOU compliance.

3. The right to hold meetings on an "as needed" basis with members; however, such meetings shall be held prior to or after normal working hours, whenever possible.

4. The Union shall be entitled to appoint one (1) Steward who is a competent journey worker employed by the Authority, and who shall in addition to their normal work, be permitted to perform during working hours, Union duties that cannot be performed at other times. Such duties shall be performed as expeditiously as possible and the Authority shall allow a reasonable amount of time for the performance of said duties. The Union shall immediately notify the Authority in writing of each Steward appointment.

ARTICLE 8
WORK COVERED

Covered work shall include, but not necessarily be limited to those items delineated in the Glaziers' Master Agreement (GMA).

ARTICLE 9
NONDISCRIMINATION

1. The Authority agrees not to discriminate against any individual because of membership in the Union or because of any activities on behalf of the Union. In any event, such activities shall not interfere with the normal operations of the Authority.
2. The Parties agree to support the principles of Equal Employment Opportunity and will obey all laws and regulations regarding discrimination against any employee or applicant for employment because of religion, race, color, national origin, age, sex, sexual preference, or disability. The Authority will not, nor will the Union cause the Authority to, discharge or otherwise discriminate against any individual based on any of the above categories.

ARTICLE 10
SAFETY & SECURITY

1. The Parties agree that it is in the best interests to all concerned to provide a safe, secure, and healthy working environment. The Authority and the individuals covered by this MOU agree to abide by the safety standards established by the State Department of Industrial Relations and comply with the Occupational Safety and Health Act.
2. To assure that health and safety hazards are handled in a timely fashion, the following procedures shall be followed: (1) employees shall report health or safety hazards to their immediate supervisor; (2) if the immediate supervisor is unable to abate the hazard, the matter shall be referred to the Authority's Director of Occupational Safety & Health who will meet with the employee and immediate supervisor regarding the matter; (3) if the matter cannot be resolved by the Authority's Occupational Safety & Health Director, it will be referred to that individual's immediate superior.

ARTICLE 11
LABOR / MANAGEMENT COMMITTEE

The Parties agree to continue the Labor/Management Committee that will meet as mutually agreed to discuss employment conditions. The committee membership shall consist of no more than two (2) Union members who are Authority employees and no more than three (3) individuals selected by Authority. The Union may select additional individuals who are not Authority employees.

ARTICLE 12

OUTSIDE CONTRACTING / COMPETITIVE BIDDING

1. Authority Resolution No. 2304 regarding Competitive Bidding authorizes and directs management to engage in outside competitive contracting at its discretion. All work that is put out to bid will be at the prevailing wage rates for the appropriate classifications in accordance with the regulations established by the Department of Housing and Urban Development, the policies of the Authority, federal regulations where Davis-Bacon wage rates are required, and local ordinances when city funds are utilized.
2. The Authority shall notify the Union in writing within ten (10) working days following the Board of Commissioners award of the contract, the name of the contractor(s), the starting date and the location of the project(s).

ARTICLE 13
NO STRIKES

1. The Parties agree there shall be no strike, lockout or work stoppage by either party. The Union may withhold individuals from dispatch or picket the Authority for non-payment of wages or trust fund contributions. The curtailment of operations for business reasons shall be at the sole discretion of the Authority and shall not be considered a lockout.
2. The observance of the picket line of another organization sanctioned by San Francisco Building and Construction Trades Council or the San Francisco Central Labor Council shall not be considered a violation of this article.

ARTICLE 14
EMPLOYEE SELECTION

Dispatch

Upon, phone, fax or E-mail notification by the Authority Human Resources staff, the Union shall expeditiously dispatch the requested classes and numbers of individuals to the Authority's Human Resources office for processing and hiring.

Forepersons

Foreperson selection and appointment is at the sole discretion of the Authority but will take into consideration qualifications and seniority. When the regularly assigned Foreperson is off on his/her "Black Fridays" an acting Foreperson will be appointed for that day.

Apprentices

The Parties agree that every effort shall be made to recruit Apprentices from the public housing resident and Section 8 population in recognition of the federal requirement that the Authority's work force consist of 25% of these individuals.

ARTICLE 15
STATUS, SENIORTY & LAYOFF

1. Individuals are on probationary status for the first sixty (60) calendar days of their employment and may be discharged during this period without cause and without recourse through the grievance procedure. Such discharge shall not be for reasons that violate public policy. At the Authority's discretion, workdays missed during this time may be added to the end of the probationary period.

2. Individuals who pass the sixty (60) day probationary period will accrue seniority from their initial hire date.

3. Seniority is defined as the length of continuous paid employment in the Authority's Maintenance Program. Seniority shall be retained, but shall not accrue during unpaid leaves of absence that exceed thirty (30) calendar days in length. Lay-off and re-hire shall be based on accrued seniority in accordance with these provisions.

4. Lay-off notice shall be in writing stating the reason(s) for lay-off with a same day copy to the Union. Individuals being laid off will be sent home at the close of business immediately following receipt of the written notice; however, their names will remain active on the payroll for three (3) additional days before being terminated. Final paychecks will be distributed at the time of notice and will include the three (3) additional day's pay, except for individuals who have not completed the 60 day probationary period.

5. In accordance with the above seniority provisions, individuals who are laid off shall have re-hire rights to the class from which they were laid off for a maximum period of twelve (12) months following the employment termination date. These provisions do not apply to individuals in the 60 day probation period.

ARTICLE 16
PERFORMANCE & DISCIPLINE

1. The Authority shall establish reasonable rules and regulations concerning the conduct and performance of individuals covered by this MOU. The enactment of such rules and regulations shall be preceded by advance notice to the Union and subject to the meet and confer provisions of MMBA. The standard Authority Performance Evaluation Factors are contained in Appendix A.

2. The Authority reserves the right to establish performance standards for all classifications covered by this MOU. The enactment of such standards shall be preceded by advance notice to the Union and subject to the meet and confer provisions of MMBA. Any probationary employee who does not meet acceptable standards of performance shall be instructed to cease work and return to the Union Hall. That individual shall not be dispatched to the Authority for future jobs.

3. The Authority reserves the right to take appropriate disciplinary action including, the immediate dismissal for good cause, of individuals for violation of the Rules of Conduct or failure to meet performance standards as outlined in Appendix A. The Authority shall notify the employee and copy the Union in writing of its intent to take any disciplinary action that diminishes an employee's property rights. Such notice shall be within five (5) days of the effective date of the proposed action. Letters of reprimand do not diminish property rights; and therefore, are not subject to this notice requirement. The Authority however, shall copy the Union with any letter of reprimand within two (2) working day from the date of issuance. Violation of the Rules of Conduct shall include, but not be limited to possession of intoxicants (including alcohol and drugs) on Authority premises; being under the influence of intoxicants (including alcohol and drugs) during working hours; insubordination; theft; falsification of records, including employment records, gross negligence; dishonesty; fighting or inciting others to fight on Authority premises or during working time; failure to possess and maintain a valid California driver's license or uninsurability by the Authority's insurance carrier (unless being addressed under the provisions of Article 19 0f this MOU);unauthorized use of the Authority's property or vehicles; deliberate destruction of any property not belonging to the employee; concealment of defective work; sleeping on the job, failure to report to work for two (2) consecutive work days without notice to the Authority; and excessive tardiness. The Union shall not dispatch to the Authority individuals who have been discharged for cause.

4. All disciplinary actions including letters of reprimand will remain active in the employee's personnel file for twenty-four (24) months following the date of the underlying incident. Previous disciplinary actions/correspondence older than 24 months will not be used in support of new disciplinary action against an employee. All disciplinary actions/correspondence shall physically remain in the employee's file indefinitely; however, after 24 months following the date of the incident, an employee may in writing, petition the Human Resources Director for its physical removal.

ARTICLE 17
EMPLOYEE / EMPLOYER DISPUTE ARBITRATION

All disputes or controversies arising out of, or relating to, an application for employment, employment and/or termination of employment will be settled exclusively by final and binding arbitration before an arbitrator selected by the Parties. By way of example only, such claims include claims under federal, state, and local statutory or common law, such as the Age Discrimination in Employment Act, Title VII the Civil Rights Act of 1964, as amended, including the amendments of the Civil Rights Act of 1991, the Americans with Disabilities Act, California Fair Employment and Housing Act, Family Medical Leave Act, California Family Rights Act, the law of contract, and the law of tort. Each individual covered by this MOU shall sign a letter to abide by this provision.

ARTICLE 18
GRIEVANCE PROCEDURE

The following procedures are adopted by the Parties to provide for the orderly and efficient disposition of grievances and are the sole and exclusive procedures for resolving grievances as defined herein.

1. **Definition**

   A grievance shall be defined as any dispute that involves the interpretation, application of, or compliance with this MOU. Grievances that proceed beyond step one of the process may be filed only by the Union. The Parties agree that the grievance procedure and arbitration are the sole remedy for resolving disputes that arise from this MOU.

2. **Eligibility**

   All members of the bargaining unit can use the grievance process as a method to resolve alleged violations of specific provision(s) of this MOU. The process is also available to the Union for the resolution of issues as defined under **Definition** above. The Union shall initiate the grievance process at Step Two.

3. **Time Limits**

   The time limits set forth herein may be extended or waived by mutual agreement of the Parties. Any such agreement must be confirmed in writing. For purposes of time calculation, a "day" is defined as a "working day"; thus, excluding weekends and holidays. Failure by the Authority to respond within the time limits at any level shall be implied as a negative response to the grievance and the Union shall have the right to proceed to the next level. Failure by the Union at any step in the process to adhere to specified time limits shall nullify the grievance and the right to grieve shall be waived and lost.

4. **Steps of the Procedure**

   The grievance procedure is a four-level sequential process. Except for grievances involving multiple employees, all employee-initiated grievances must begin at Step One of the procedure. The step procedures set forth herein may be modified or waived by mutual agreement of the Parties. Any such agreement must be in writing.

   A. **Step One - Immediate Supervisor**

   An employee shall first attempt to resolve the alleged violation or dispute with his/her immediate supervisor. Not later than the tenth (10^{th}) working day after an employee knew, or should have known, of the alleged violation, the employee and/or his/her representative shall memorialize in written form the grievance to the employee's immediate supervisor and, thereafter, explain orally the grievance to the employee's immediate supervisor. The supervisor shall memorialize in written form a decision and present it to the employee and/or her/his representative within seven (7) working days of receiving the grievance in written form.

B. **Step Two - Human Resources Director**

If the alleged violation is not resolved informally with the immediate supervisor, the Union shall submit the grievance on behalf of the represented employee, in writing, to the Human Resources Director within seven (7) working days after receipt of the immediate supervisor's decision. Union initiated grievances shall commence at this step in the process. The Union must file a written grievance with the Human Resources Director within seven (7) working days of the Step One decision. The Human Resources Director or designee shall render a written decision setting forth the Authority's position within ten (10) working days after receipt of grievances at this level.

C. **Step Three - Executive Director**

If the response from the Human Resources Director is unsatisfactory to the employee and/or the Union, the Union may elevate the grievance to the Executive Director or designee within seven (7) working days after receipt of the Step Two decision. The Executive Director or designee may convene a grievance meeting within fifteen (15) working days with the Union and one (1) bargaining unit member in addition to the grievant. The Executive Director shall respond to the grievance within fifteen (15) working days of the meeting, or if none is held, within twenty (20) working days of receipt of the appeal from the Step Two response. Grievances alleging improper dismissal must be filed in writing at Step Three, within seven (7) working days after such dismissal.

D. **Step Four - Arbitration**

If the Union is dissatisfied with the Step Three response, it may appeal by notifying the Human Resources Director, in writing, within fifteen (15) days of the Step Three decision that arbitration is being invoked. The Parties shall select an arbitrator within fifteen (15) days of receipt of the Unions written notice of its intent to arbitrate.

E. **Accelerated Grievance Procedure**

In the event there is a dispute regarding the implementation or application of this MOU that immediately affects the Union or a substantial number of its members, and that will result in harm for which monetary relief would be an insufficient remedy, either party may request, and with agreement from the other party, may submit the grievance immediately to the appropriate level agreed to by the Parties thus, bypassing all lower levels. The Union must notify the Authority in writing of its intent to request use of the Accelerated Grievance Procedure within ten (10) working days after the Union knew or should have known of the alleged violation.

F. **Arbitration, Arbitrators & Fees**

1. The Parties agree that any arbitration decision will be binding on all parties.

2 The arbitrator shall be selected by mutual agreement of the Parties. If the Parties are unable to agree upon an arbitrator, they shall request a list of five (5) arbitrators from the California State Mediation and Conciliation Service or Public Employee Relations Board (PERB). Upon receipt of such list, the Parties shall alternately strike one (1) name from the list until one (1) name remains. The party striking the first name shall be determined by the flip of a coin.

3 Except when an agreement of the facts is submitted by the Parties, it shall be the duty of the arbitrator to hear and consider the evidence submitted by the Parties, make written findings of fact, and render a disposition that shall be final and binding on the Parties. The arbitrator shall have no power to amend this agreement or to recommend amendment.

4 Fees and expenses incurred for the arbitrator shall be borne equally by both parties. Fees and expenses incurred for a reporter shall be borne solely by the party requesting such service. If both Parties agree to the reporter services, the fees and expenses shall be shared equally by the Parties.

ARTICLE 19
WORK CLOTHING, TOOLS, EQUIPMENT & DRIVERS LISCENSE

1. Within fifteen (15) days following initial appointment, the Authority shall provide two (2) sets of the required uniform/coveralls that individuals must wear along with their photo ID badges during work hours. Each fiscal year thereafter, the Authority will continue to provide a total of three (3) additional sets of uniform items per employee, to be distributed on or about November 15th and May 15th.
2. The Parties agree that each shall provide the required tools in accordance with the provisions of the Master Agreement. The Authority shall not be held responsible for normal wear or breakage to employee provided tools.
3. The Parties agree that the maintenance of a valid driver's license and insurability by the Authority's auto insurance carrier is an important element for successful job performance. The Parties acknowledge that individuals cannot legally operate Authority vehicles without a valid license. The Parties further agree that individuals suffering a revocation or suspension of their drivers license will immediately notify their Foreperson who will immediately notify his/her immediate superior so that appropriate actions can be taken, e.g. allowing the individual to ride with a licensed co-worker, if practical to do so. The Authority decisions in these matters are discretionary and non-grievable.

ARTICLE 20
WAGES & FRINGE BENEFITS

1. The Journey Glazier total taxable/non-taxable compensation package shall be as contained in the Master Agreement(s) in effect during the term of this MOU as detailed in Appendix B.

2. The Apprentice base wage rates and fringe benefits shall be in accordance with the *Apprentice Percentage Schedule* in the Master Agreement(s) in effect during the period of this MOU.

3. The Foreperson total taxable hourly wage shall be fifteen percent (15%) per hour above the Journey Glazier total taxable hourly wage. The "Black Friday" Foreperson shall be paid once at the end of each quarter for all days serving as Foreperson within that quarter.

4. Fringe benefit categories shall be those identified in the Master Agreement(s). Contributions and remittances to the respective trust funds shall be made in accordance with the provisions contained in Appendix B of this MOU and as modified each year by the Union or successor Master Agreements. Any reallocation or formula changes shall occur only on July 1st of each year of this MOU. The Union shall notify the Authority in writing of such changes. Reallocations shall be effective no later than the second pay period following receipt of such notice. The Authority agrees to sign any and all documents required by the trust funds to ensure proper acceptance of remittances.

5. Individuals covered by this MOU who are required to perform his/her duties while wearing a full safety harness, shall be paid one dollar, twenty five cents ($1.25) per hour above their normal taxable hourly wage for the actual number of hours spent working in this capacity.

ARTICLE 21
WORKDAY, WORKWEEK & OVERTIME

This article defines the normal hours of work and overtime provisions and shall not be construed as a guarantee of hours of work per day nor of days of work per week.

1. **WORKDAY**
   The normal workday shall be eight (8) hours between the hours of 8:00 A.M. and 4:30 P.M.

2. **WORK WEEK**
   The normal workweek shall consist of 40 hours of work, Monday through Friday.

3. **SHOW-UP TIME**

   When an individual has been directed to report to work and there is no work provided by the Authority, he/she shall be paid two (2) hours show up time. If after reporting to work, inclement weather results in the inability to perform the required work, the individual shall be entitled to show up time only if they remain

on the job site for at least two (2) hours while waiting for the weather to improve. If the supervisor cancels the workday because of inclement weather prior to the two (2) hour mark, individuals shall receive two (2) hours pay. If the individual works at least two (2) hours and inclement weather causes the workday to be cancelled, the individual shall be paid for the actual hours worked.

4. **CALL BACK**

Call back pay shall be a minimum of two (2) hours and subject to the overtime provisions in this MOU, if applicable.

5. **OVERTIME**

When workload necessitates or emergencies arise, the Authority has the right to request individuals to work more than eight (8) hours. Overtime will be paid according to the following schedule. An employee will be required to accept only a reasonable amount of overtime during any one week. Overtime shall be assigned on a rotating basis so that all employees who wish not to work overtime will have the opportunity to refuse overtime work.

Weekdays - In excess of 8 hours through 10 hours = Time and one half (1 ½ x).
Above 10 hours = Double Time (2x).

Saturdays, Sundays, Holidays & "Black Fridays" – Double Time (2x) for all hours worked.

6. **MEAL PERIODS**

Meal periods are one half (½) hour, do not count as time worked, and are not compensable in any way.

7. **HOLIDAYS & DESIGNATED DAYS OFF**

Recognized holidays are New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, the Friday following Thanksgiving Day, and Christmas Day. If any of the above holidays fall on a Saturday the preceding Friday shall be observed as the holiday. Holidays that fall on Sunday, the following Monday shall be observed as the holiday. Except for the preceding holidays and "designated days off", individuals desiring to work shall be allowed to do so, even if the Authority is otherwise closed for business, (e.g. Admissions Day, Veterans Day and Lincoln's Birthday). No work under any circumstances shall occur on Labor Day. In addition to recognized holidays, individuals covered by this MOU shall have a "Black Friday" every other week which will be taken on a Friday without pay.

SIGNATORIES

This MOU has been entered into in accordance with the provisions contained in article I, on this 4Th day of November 2002 by the following:

Glaziers Negotiation Team:

Doug Yamamoto, Business Representative

Dan Angel, Business Representative

Housing Authority Representative:

Paul Howard, Chief Negotiator

ANNUAL AND PROBATIONARY EMPLOYEE PERFORMANCE EVALUATION FORM

PROBATIONARY EMPLOYEE
- ❑ FIRST
- ❑ SECOND

REGULAR EMPLOYEE
- ❑ ANNUAL

NAME (Last First Initial)	SOCIAL SECURITY NUMBER	REPORT DATE
POSITION TITLE		DATE PROBATION ENDS

DEPARTMENT NAME	DIVISION/UNIT	EMPLOYEE'S WORK LOCATION

YOUR WORK PERFORMANCE WILL DETERMINE WHETHER YOU OBTAIN REGULAR EMPLOYMENT STATUS

QUALIFICATION FACTORS	RATINGS ARE INDICATED BY "X" MARKS			
	UNACCEPTABLE	DEVELOPMENT NEEDED	STANDARDS ACHIEVED	OUTSTANDING
1. **SKILL**-Expertness in doing specific tasks; accuracy; precision, completeness, neatness, quantity.				
2. **KNOWLEDGE**-Extent of knowledge of methods, materials, tools, equipment, technical expressions and other fundamental object matter.				
3. **WORK HABITS** - Organization of work; care of equipment, punctuality and dependability; industry; follows good practices of vehicle and personal safety.				
4. **RELATIONSHIPS WITH PEOPLE** - Ability to get along with others; effectiveness in dealing with the public, other employees, residents, or vendors.				
5. **LEARNING ABILITY** - Speed and thoroughness in learning procedures, laws, rules and other details; alertness; perseverance.				
6. **ATTITUDE** - Enthusiasm for the work; willingness to conform to job requirements and to accept suggestions for work improvement; adaptability.				
7. **SUPERVISORY ABILITY** *(if applicable)* - Proficiency in training employees and in planning, organizing, assigning and producing work; leadership; ability to communicate orally and in writing, ability to motivate subordinates.				
8. **ADMINISTRATIVE ABILITY** *(if applicable)* – Prompt action; sound decisions, application of good management practices; understanding and effective implementation of departmental and personnel management polices.				
9. **FACTORS NOT LISTED ABOVE** (Use additional sheets if more space is needed.)				
OVERALLL RATING - The over-all rating must be consistent with the factor ratings and comments, but there is no prescribed formula for computing the over-all rating.				

COMMENTS TO EMPLOYEE - *(Supervisor should include factual examples on work especially well or poorly done and give suggestions as to how performance can be improved. Factor and overall ratings of unacceptable and overall ratings of outstanding must be substantiated. Use additional sheets if more space is needed)*

Rater discussed report with employee (Must be attempted) ❑ YES ❑ NO

I RECOMMEND YOU BE GRANTED REGULAR EMPLOYMENT STATUS ❑ YES ❑ NO

RATER'S SIGNATURE	TITLE	DATE SIGNED
EMPLOYEE'S SIGNATURE	DATE SIGNED	❑ I would like to discuss this report with the reviewing officer.

REVIEWING OFFICER'S SIGNATURE	DATE SIGNED	DATE DISCUSSED WITH EMPLOYEE
❑ I concur in the ratings given by the rater. ❑ I have made following changes in this report (Use additional sheets if more space is needed).		

DISTRIBUTION COPIES: 1. Personnel Files 2. Employee 3. Supervisor 4. Miscellaneous

Net Wage	H & W	Nor Pens. IARP	IU Pens.	Ret. Pens. Appr Fd.	I. JATC	Wrk Pres. LMCI	Ind. Fund	Dues ck o	Total Pack
Journeyman Glazier									
$26.58	$3.73	$3.93	$7.68	$0.10	$0.05	$0.35	$0.05	$0.08	$0.05	$0.15	$1.32	$42.75
$29.85	$3.73	$3.93	$9.84	$0.10	$0.05	$0.35	$0.05	$0.08	$0.05	$0.15	$1.45	$48.18
Foreman												

San Francisco Housing Authority Glaziers pay schedule October 1, 2002 to September 30, 2003

Dues check off to be deducted off net wage.

C

SAN FRANCISCO HOUSING AUTHORITY

LEASED HOUSING DIVISION
1237 VAN NESS AVENUE, SECOND FLOOR
SAN FRANCISCO, CA 94109 • (415) 674-3200 • Fax (415) 674-3213

DOCUMENTS DEPT.
DEC 18 2002
SAN FRANCISCO
PUBLIC LIBRARY

DATE: November 14, 2002

TO: SAN FRANCISCO HOUSING COMMISSIONERS

Sululagi Palega, Sr., President
Julie Lee, Vice President
George R. Brown, Commissioner
Betty J. Smith, Commissioner
Andrew J. Clark, Commissioner
Neola Gans, Commissioner

FROM: GREGG FORTNER, Secretary/Executive Director

SUBJECT: RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR AND THE PRESIDENT OF THE BOARD OF COMMISSIONERS TO SIGN THE SECTION 8 MANAGEMENT ASSESSMENT PROGRAM (SEMAP) CERTIFICATION

OVERVIEW

On September 10, 1998, the Department of Housing and Urban Development (HUD) published in the Federal Register the final rule establishing the Section 8 Management Assessment Program (SEMAP). On August 17, 2000 HUD issued PIH 2000-34 requiring the submission of SEMAP certification electronically.

SEMAP consists of 15 indicators with points assigned to each indicator for a total maximum 150 points. The indicators and their respective maximum points are as follows:

1. Selection from the Waiting List – 15 points
2. Reasonable Rent – 20 points
3. Determination of Adjusted Income – 20 points
4. Utility Allowance Schedule – 5 points
5. HQS Quality Control Inspections – 5 points

6. HQS Enforcement – 10 points
7. Expanding Housing Opportunities – 5 points
8. FMR Limit and Payment Standards – 5 points
9. Annual Reexaminations – 10 points
10. Correct Tenant Rent Calculations – 5 points
11. Precontract HQS Inspections – 5 points
12. Annual HQS Inspections - 10 points
13. Lease-up – 20 points
14. Family Self Sufficiency Enrollment – 10 point

In addition, a bonus indicator, Deconcentration Bonus has a maximum of 5 points.

HUD has determined that Housing Authorities that score over 90% are High Performers, 60-89% are Standard Performers, or less than 60% are Troubled.

OBJECTIVE

The objective of this resolution is to authorize the Executive Director and the President of the Commission to sign the SEMAP Certification on behalf of the Housing Authority prior to the electronic submission to HUD.

PRESENT SITUATION

The San Francisco Housing Authority has completed the appropriate test of the Section 8 records and determined that the SFHA scoring for the fiscal year ended September 30, 2002 is 82% which ranks the Housing Authority as a Standard Performer.

ANTICIPATED OUTCOME

The Leased Housing Department will be classified as a Standard Performer by HUD.

WHO BENEFITS

The San Francisco Housing Authority benefits by meeting the scheduled deadline for reporting to HUD..

BUDGET CONSIDERATIONS

There is no budgetary impact to the Housing Authority.

POLICY IMPLEMENTATION

The signed SEMAP Certification will be on file to support the electronic submission to HUD.

RECOMMENDATION

We recommend that the Board approve the resolution authorizing the Executive Director and the President of the Commission to sign the Section 8 Management Assessment Program (SEMAP) Certification on behalf of the San Francisco Housing Authority.

Prepared by Lawrence Andrews, 674-3233

RESOLUTION No. _____
DATE ADOPTED:_____

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR AND THE PRESIDENT OF THE BOARD OF COMMISSIONERS TO SIGN THE SECTION 8 MANAGEMENT ASSESSMENT PROGRAM (SEMAP) CERTIFICATION

WHEREAS, the U.S. Department of Housing and Urban Development (HUD) on September 10, 1998 issued a notice in the Federal Register establishing the Section 8 Management Assessment Program (SEMAP), as set forth in 24 CFR 985, to objectively measure public housing agency performance in key Section 8 tenant-based assistance program areas; and

WHEREAS, HUD on August 17, 2000 issued notice PIH 2000-34 requiring submission of SEMAP certification electronically; and

WHEREAS, the San Francisco Housing Authority (SFHA) has completed the reviews to determine the SFHA scoring for the 15 indicators of SEMAP reporting for the fiscal year ended September 30, 2002; and

WHEREAS, the SFHA has determined that the scoring for the fiscal year ended September 30, 2002 is 120 points or a 82% scoring establishing the SFHA as a Standard Performer; and

WHEREAS, HUD requires that the Section 8 Management Assessment Program (SEMAP) Certification be signed by the Executive Director and the President of the Board of Commissioners prior to the electronic submission to HUD; and

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION OF THE HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO THAT:

1. The Executive Director and the President of the Board of Commissioners is hereby authorized to sign the Section 8 Management Assessment Program (SEMAP) Certification to HUD in accordance with 24 CFR 985.

2. This resolution becomes effective immediately.

APPROVED AS TO FORM AND LEGALITY: **REVIEWED BY**

Carl L. Williams
General Counsel

11-6-02
Date

Gregg Fortner
Executive Director

11/6/02
Date

DOCUMENTS DEPT.

DEC 18 2002

SAN FRANCISCO
PUBLIC LIBRARY

San Francisco Housing Authority
Leased Housing Division
Performance Targets SEMAP Indicators at 9-30-02

Indicator	*Maximum*	*9/30/02*
1 Selection from the Waiting List Written admission policies in the administrative plan and these policies followed when selecting applicants for admission from the waiting list.	15	15
2 Reasonable Rent Written methodology to determine rent is reasonable based on current rent for comparable unassisted units and documented at time of initial leasing.	20	20
3 Determination of Adjusted Income At admission and reexamination, HA verifies and correctly determines adjusted gross income, including appropriate utility allowances in determining gross rent	20	20
4 Utilitiy Allowance Schedule Utility rate data reviewed within the last 12 months and adjusted if there was a change of 10% or more	5	5
5 HQS Quality Control Inspections Random sample reinspection done for at least 5% of completed HQS inspections reprenting a cross section of neighborhoods and inspectors	5	5
6 HQS Enforcement Unit passes HQS or life threatening cited deficiencies are corrected within 24 hrs and all other HQS deficiencies are corrected within 30 days	10	10
7 Expanding Housing Opportunites Adopted and implemented a written policy to encourage participation by owners of units ourside areas of poverty or minority concentration and infoms certificate & voucher holders of a full range of areas where they may lease, both inside and outside HA jusidiction and supplies a list of those willing to lease units or find units	5	5
8 Fair Market Rent Limit and Payment Standard For the the new voucher program, the rents by unit size do not exceed the revised FMR/Payment Standard which was established in December 1999	5	5
9 Annual Reexaminations Reexamination for each family at least once every 12 months	10	5
10 Correct Tenant Rent Calculations Correct calculaiton of 98% of tenant rent for certificate/family share of rent to owner in voucher program	5	5
11 Pre-contract HQS inspections Each newly unit leased passed HQS inspection before beginning date of lease	5	5
12 Annual HQS Inspections Each unit under contract is inspected at least annually and 98% are on time or less than 2 months late	10	10
13 Lease-up Successful contracts for 98 % of units under budget for at least one year	20	0
14 Family Self-sufficiency Enrollment and Escrow Accounts Families enrolled to fill 80% of FSS slots in FSS program	10	10
Total Points Before Bonus	145	120
Percentage		**82%**
15 Deconcentratlon Bonus 50% or more families with children live in low poverty areas	5	0

Note: High Performer=at least 90% or 131 points, Standard Performer=60-89% or 87-130 points, Troubled=below 60%

Field Office: 9APH SAN FRANCISCO HUB OFFICE

Housing Agency: CA001 SAN FRANCISCO HSG AUTH

PHA Fiscal Year End: 09/30/2002

OMB Approval No. 2577-0215

SEMAP CERTIFICATION (Page 1)

Public reporting burden for this collection of information is estimated to average 12 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.This agency may not conduct or sponsor, and you are not required to respond to, a collection of information unless it displays a currently valid OMB control number.

This collection of information is required by 24 CFR sec 985.101 which requires a Public Housing Agency (PHA) administering a Section 8 tenant-based assistance program to submit an annual SEMAP Certification within 60 days after the end of its fiscal year. The information from the PHA concerns the performance of the PHA and provides assurance that there is no evidence of seriously deficient performance. HUD uses the information and other data to assess PHA management capabilities and deficiencies, and to assign an overall performance rating to the PHA. Responses are mandatory and the information collected does not lend itself to confidentiality.

Check here if the PHA expends less than $300,000 a year in federal awards ☐

Indicators 1 - 7 will not be rated if the PHA expends less than $300,000 a year in Federal awards and its Section 8 programs are not audited for compliance with regulations by an independent auditor. A PHA that expends less than $300,000 in Federal awards in a year must still complete the certification for these indicators.

Performance Indicators

1 Selection from Waiting List (24 CFR 982.54(d)(1) and 982.204(a))

a. The HA has written policies in its administrative plan for selecting applicants from the waiting list.

PHA Response ◉ Yes ○ No

b. The PHA's quality control samples of applicants reaching the top of the waiting list and admissions show that at least 98% of the families in the samples were selected from the waiting list for admission in accordance with the PHA's policies and met the selection criteria that determined their places on the waiting list and their order of selection.

PHA Response ◉ Yes ○ No

2 Reasonable Rent (24 CFR 982.4, 982.54(d)(15), 982.158(f)(7) and 982.507)

a. The PHA has and implements a reasonable written method to determine and document for each unit leased that the rent to owner is reasonable based on current rents for comparable unassisted units (i) at the time of initial leasing, (ii) before any increase in the rent to owner, and (iii) at the HAP contract anniversary if there is a 5 percent decrease in the published FMR in effect 60 days before the HAP contract anniversary. The PHA's method takes into consideration the location, size, type, quality, and age of the program unit and of similar unassisted units and any amenities, housing services, maintenance or utilities provided by the owners.

PHA Response ◉ **Yes** ○ **No**

b. The PHA's quality control sample of tenant files for which a determination of reasonable rent was required to show that the PHA followed its written method to determine reasonable rent and documented its determination that the rent to owner is reasonable as required for (check one):

PHA Response ◉ **At least 98% of units sampled** ○ **80 to 97% of units sampled**

○ **Less than 80% of units sampled**

3 Determination of Adjusted Income (24 CFR part 5, subpart F and 24 CFR 982.516)

The PHA's quality control sample of tenant files show that at the time of admission and reexamination, the PHA properly obtained third party verification of adjusted income or documented why third party verification was not available; used the verified information in determining adjusted income; properly attributed allowances for expenses; and, where the family is responsible for utilities under the lease, the PHA used the appropriate utility allowances for the unit leased in determining the gross rent for (check one):

PHA Response ◉ **At least 90% of files sampled** ○ **80 to 89% of files sampled**

○ **Less than 80% of files sampled**

4 Utility Allowance Schedule (24 CFR 982.517)

The PHA maintains an up-to-date utility schedule. The PHA reviewed utility rate data that it obtained within the last 12 months, and adjusted its utility allowance schedule if there has been a change of 10% or more in a utility rate since the last time the utility allowance schedule was revised.

PHA Response ◉ **Yes** ○ **No**

5 HQS Quality Control (24 CFR 982.405(b))

The PHA supervisor (or other qualified person) reinspected a sample of units during the PHA fiscal year, which met the minimum sample size required by HUD (see 24 CFR 985.2), for quality control of HQS inspections. The PHA supervisor's reinspected sample was drawn from recently completed HQS inspections and represents a cross section of neighborhoods and the work of cross section of inspectors.

PHA Response ◉ **Yes** ○ **No**

6 HQS Enforcement (24 CFR 982.404)

The PHA's quality control sample of case files with failed HQS inspections shows that, for all cases sampled, any cited life-threatening HQS deficiencies were corrected within 24 hours from the inspection and, all other cited HQS deficiencies were corrected within no more than 30 calendar days from the inspection or any PHA-approved extension, or, if HQS deficiencies were not corrected within the required time frame, the PHA stopped housing assistance payments beginning no later than the first of the month following the correction period, or took prompt and vigorous action to enforce the family obligations for (check one):

PHA Response ◉ **At least 98% of cases sampled** ○ **Less than 98% of cases sampled**

7 Expanding Housing Opportunities.

(24 CFR 982.54(d)(5), 982.153(b)(3) and (b)(4), 982.301(a) and 983.301(b)(4) and (b)(12))

Applies only to PHAs with jurisdiction in metropolitan FMR areas

Check here if not applicable ☐

a. The PHA has a written policy to encourage participation by owners of units outside areas of poverty or minority concentration which clearly delineates areas in its jurisdiction that the PHA considers areas of poverty or minority concentration, and which includes actions the PHA will take to encourage owner participation.

PHA Response ◉ **Yes** ○ **No**

b. The PHA has documentation that shows that it took actions indicated in its written policy to encourage participation by owners outside areas of poverty and minority concentration.

PHA Response ◉ **Yes** ○ **No**

c. The PHA has prepared maps that show various areas, both within and neighboring its jurisdiction, with housing opportunities outside areas of poverty and minority concentration; the PHA has assembled information about job opportunities, schools and services in these areas; and the PHA uses the maps and related information when briefing voucher holders.

PHA Response ◉ **Yes** ○ **No**

d. The PHA's information packet for certificate and voucher holders contains either a list of owners who are willing to lease, or properties available for lease, under the voucher program, or a list of other organizations that will help families find units and the list includes properties or organizations that operate outside areas of poverty or minority concentration.

PHA Response ◉ **Yes** ○ **No**

e. The PHA's information packet includes an explanation of how portability works and includes a list of neighboring PHAs with the name, address and telephone number of a portability contact person at each.

PHA Response ◉ Yes ○ No

f. The PHA has analyzed whether voucher holders have experienced difficulties in finding housing outside areas of poverty or minority concentration and, where such difficulties were found, the PHA has considered whether it is appropriate to seek approval of exception payment standard amounts in any part of its jurisdiction and has sought HUD approval when necessary.

PHA Response ◉ Yes ○ No

Save Reset

Field Office: 9APH SAN FRANCISCO HUB OFFICE

Housing Agency: CA001 SAN FRANCISCO HSG AUTH

PHA Fiscal Year End: 09/30/2002

SEMAP CERTIFICATION (Page 2)

Performance Indicators

8 Payment Standards(24 CFR 982.503)

The PHA has adopted current payment standards for the voucher program by unit size for each FMR area in the PHA jurisdiction and, if applicable, for each PHA-designated part of an FMR area, which do not exceed 110 percent of the current applicable FMR and which are not less than 90 percent of the current FMR (unless a lower percent is approved by HUD). (24 CFR 982.503)

PHA Response (•) Yes ( ) No

FMR Area Name: San Francisco

FMR 1 of 1

Enter current FMRs and payment standards (PS)

0-BR FMR	1-BR FMR	2-BR FMR	3-BR FMR	4-BR FMR
1248	1616	2043	2802	2965
PS 1248	PS 1616	PS 2043	PS 2802	PS 2965

Save Add Delete

If the PHA has jurisdiction in more than one FMR area, and/or if the PHA has established separate payment standards for a PHA-designated part of an FMR area, add similar FMR and payment standard comparisions for each FMR area and designated area.

9 Timely Annual Reexaminations(24 CFR 5.617)

The PHA completes a reexamination for each participating family at least every 12 months.(24 CFR 5.617)

PHA Response (•) Yes ( ) No

10 Correct Tenant Rent Calculations(24 CFR 982, Subpart K)

The PHA correctly calculates tenant rent in the rental certificate program and the family rent to owner in the rental voucher program (24 CFR 982,Subpart K)

PHA Response (•) Yes ( ) No

11 Pre-Contract HQS Inspections(24 CFR 982.305)
Each newly leased unit passes HQS inspection before the beginning date of the assisted lease and HAP contract.(24 CFR 982.305)
PHA Response ◉ **Yes** ○ **No**

12 Annual HQS Inspections(24 CFR 982.405(a))
The PHA inspects each unit under contract at least annually (24 CFR 982.405(a))
PHA Response ◉ **Yes** ○ **No**

13 Lease-Up
The PHA executes assistance contracts on behalf of eligible families for the number of units that has been under budget for at least one year. The PHA executes assistance contracts on behalf of eligible families for the number of units that has been under budget for at least one year
PHA Response ◉ **Yes** ○ **No**

14 Family Self-Sufficiency (24 CFR 984.105 and 984.305)
14a.Family Self-Sufficiency Enrollment. The PHA has enrolled families in FSS as required.
Applies only to PHAs required to administer an FSS program.
Check here if not applicable ☐

a. Number of mandatory FSS slots (Count units funded under the FY 1992 FSS incentive awards and in FY 1993 and later through 10/20/1998. Exclude units funded in connection with Section 8 and Section 23 project-based contract terminations; public housing demolition, disposition and replacement; HUD multifamily property sales; prepaid or terminated mortgages under section 236 or section 221(d)(3); and Section 8 renewal funding. Subtract the number of families that successfully completed their contracts on or after 10/21/1998.) 436

Or, Number of mandatory FSS slots under HUD-approved exception **(If not applicable, leave blank)** 191

b. Number of FSS families currently enrolled 169

c. Portability: If you are the initial PHA, enter the number of families currently enrolled in your FSS program, but who have moved under portability and whose Section 8 assistance is administered by another PHA

Percent of FSS slots filled (b+c divided by a) **(This is a nonenterable field. The system will calculate the percent when the user saves the page)** 88

14b. Percent of FSS Participants with Escrow Account Balances.The PHA has made progress in supporting family self-sufficiency as measured by the percent of currently enrolled FSS families with escrow account balances.(24 CFR 984.305)

Applies only to PHAs required to administer an FSS program

Check here if not applicable ☐

PHA Response ◉ **Yes** ○ **No**

Portability: If you are the initial PHA, enter the number of families with FSS escrow accounts currently enrolled in your FSS program, but who have moved under portability and whose Section 8 assistance is administered by another PHA

0

15 Deconcentration Bonus

The PHA is submitting with this certification data which show that :

(1) Half or more of all Section 8 families with children assisted by the PHA in its principal operating area resided in low poverty census tracts at the end of the last PHA FY;

(2) The percent of Section 8 mover families with children who moved to low poverty census tracts in the PHA's principal operating area during the last PHA FY is atleast two percentage points higher than the percent of all Section 8 families with children who resided in low poverty census tracts at the end of the last PHA FY; or

(3) The percent of Section 8 mover families with children who moved to low poverty census tracts in the PHA's principal operating area over the last two PHA FY is at least two percentage points higher than the percent of all Section 8 families with children who resided in low poverty census tracts at the end of the second to last PHA FY.

PHA Response ○ **Yes** ◉ **No**

Save Reset

SEMAP INDICATOR 1

Selection from the Waiting List
9-30-02

The indicator measures whether the Housing Authority has written policies in its administrative plan for selecting applicants from the waiting list and follows these policies when selecting applicants for admission.

This indicator scores 15 points for compliance, or scores 0 for non-compliance.

The key elements to test for this indicator are:

- Are there written policies in the administrative plan for selecting applicants from the waiting list
- Based on random selected samples, 98% selected from the waiting list are selected in accordance with policies, including the applicants met selection criteria that determined their place on the waiting list and their order of selection

The SFHA has an Administrative Plan that is current and has been approved by the SFHA commission. Included in this Administrative Plan are the criteria for applicant selection. The test to validate the SFHA adherence to the plan is included in the random sample of client files test. There were no exceptions noted in the test, which included new clients for the programs off the new waiting list..

The SFHA scores 15 points for this indicator.

SEMAP INDICATOR 2

Reasonable Rent
9-30-02

The Housing Authority must document for units leased that the rent to the owner is reasonable based on current rents for comparable unassisted units

This indicator scores 20 points for 98% compliance, 15 points for 80-96% compliance, or 0 points for less than 80% compliance.

The key elements to test for this indicator are:

- Review of the reasonable and written method to determine and document comparable to unassisted units at the time of leasing, if there is any increase in rent to the owner, at the HAP contract anniversary if there is a 5% decrease in the published FMR.
- The comparable calculation must consider location, size, type, quality, age, amenities, housing services, maintenance, and utilities.
- The SFHA has a reasonable written method to determine reasonable rent which considers these factors.
- Based on random selected samples, 98% selected met determination at the time of initial leasing.

The SFHA has adopted a procedure where comparable rents are obtained using a local company, Metro Rents, which maintains a web site of units around the city. The documentation is printed and included in the tenant file to support the reasonable rent determination. The test to validate the SFHA adherence to the plan is included in the random sample of client files test and resulted in no deficiencies.

The SFHA scores 20 points for this indicator

SEMAP INDICATOR 3

Determination of Adjusted Income
9-30-02

The indicator measures whether at the time of admission or annual reexamination, the Housing Authority verifies and correctly determines adjusted annual income for each assisted family and, where the family is responsible for the utilities under the lease, the Housing Authority uses the appropriate utility allowance for the unit leased in determining the gross rent.

This indicator scores 20 points for 90% compliance, 15 points for 80-89% compliance, or 0 points for less than 80% compliance.

The key elements to test for this indicator are:

- Does the HA obtain 3rd party verifications of adjusted income, assets totaling $5000 or more, expenses related to deductions from annual income, and other factors that affect adjusted income.
- Where family is responsible for utilities, are the appropriate allowances used.
- Are allowances used in the calculations of rent for medical, child care, and disability assistance expenses.

The SFHA has procedure in place to include all the appropriate deductions from the rent calculation. The rent calculation is tested during the quality control by the Supervisor. The test to validate the SFHA adherence to the plan is included in the random sample of client files test and did not disclose any discrepancies.

The SFHA scores 20 points for this indicator.

SEMAP INDICATOR 4

Utility Allowance Schedule
9-30-02

The Housing Authority is to maintain an up-to-date utility allowance schedule.

This indicator scores 5 points for compliance, 0 points for non-compliance.

The key elements to test for this indicator are:

- Is an up-to-date utility allowance schedule maintained
- Was the utility allowance schedule reviewed within the past 12 months and revised if a utility rate has a change of 10% or more

The SFHA utility allowance schedule was reviewed during 2002 and a revised schedule was developed. The revised schedule was implemented in February 2002.

The SFHA scores 5 points for this indicator.

SEMAP INDICATOR 5

HQS Quality Control Inspections
9-30-02

A Housing Authority Supervisor must re-inspect a sample of units during the HA fiscal year of at least 5% of the number of units under HAP during the last compete fiscal year for quality control of HQS inspections. The sample is to be drawn to represent a cross section of neighborhoods and the work of a cross section of inspectors.

This indicator scores 5 points for compliance or 0 points for non-compliance.

The key elements to test for this indicator are:

- The Ha must meet the compliance test for quality control reinspections.
- The quality control reinspection must be for units inspected in the prior 3 months at the time of reinspection.

The SFHA has a procedure where at least 5% of the units are randomly selected and reinspected on an ongoing basis.

The reinspections include those where the original inspection was in the month of September, 2002 with the reinspection completed during October, 2002. The re-inspections are completed by a senior inspector. The re-inspections resulted in a 98% agreement with the original inspection.

The SFHA scores 5 points for this indicator

SEMAP INDICATOR 6

HQS Enforcement
9-30-02

This indicator shows whether, following each HQS inspection of a unit under contract where the unit fails to meet HQS, any cited life threatening HQS deficiencies are corrected within 24 hours from the inspection and all other cited HQS deficiencies are corrected within no more than 30 calendar days from the inspection or any Housing Authority approved extension.

This indicator scores 10 points where all life threatening fails are corrected within 24 hours and 98% of other fails corrected within 30 days or an approved HA extension or 0 points where the correction time is longer.

The key elements to test for this indicator are:

- Did the HA take action where the fails were not corrected within the allowable time by abating the HAP for owner fails that went uncorrected or enforced the family obligations for family fails.
- Were the actions taken for fails in the first month following the correction period.

The SFHA continues to follow up on fails and takes the appropriate action in situations where correction extends beyond the prescribed time or the approved extension. Tests of files supports the follow up and other appropriate action.

The SFHA scores 10 points for this indicator.

SEMAP INDICATOR 7

Expanding Housing Opportunities
9-30-02

This indicator shows whether the Housing Authority has adopted and implemented a written policy to encourage participation of owners of units and has procedures to assist program participants in locating housing.

This indicator scores 5 points for implementation of the required procedures or 0 points where not all the procedures are implemented.

The key elements to test for this indicator are:

- The HA has a written policy in the administrative plan which includes the actions the HA will take to encourage participation by owners of units located outside areas of poverty or minority concentration
- The HA written policy clearly delineates areas in its jurisdiction that the HA considers areas of poverty or minority concentration.
- Documentation shows that the HA has taken action indicated in its policy to encourage owners of units located outside the areas of poverty or minority concentration.
- The HA has prepared maps that show various areas with housing opportunities outside areas of poverty or minority concentration and this information is used during the briefings for those entering the program.
- The HA's information packet for rental voucher and certificate holders contains either a list of owners who are willing to least under the program or a list of organizations that will help families find units.
- The HA's information packet explains how portability works including information about neighboring housing authorities.
- Where there has been difficulty finding housing outside the areas of poverty and minority concentration, has the HA analyzed whether it is appropriate to seek approval from HUD for exception rents.

The SFHA continues the landlord advisory committee specifically to encourage landlords throughout the city to participate in the programs. In addition, the SFHA has developed a seminar for landlords to explain the program and to encourage participation. Further, the SFHA management staff continues to work with the SF Board of Supervisors supporting legislation designed to assist low income tenants. The SFHA has extended the office hours once a week until 8 P.M. to accommodate the clients that are unable to schedule appointments during the regular workday. The recent increase in the FMR's has broadened the areas where prospective tenants are able to search for housing.

The SFHA scores 5 points for this indicator.

SEMAP INDICATOR 8

FMR Limit and Payment Standard
9-30-02

This indicator tests whether at least 98% of the units newly leased under regular tenancy have initial gross rents at or below the applicable FMR or approved exception rent limits, and for vouchers, that the payment standard is within 80-100% of the FMR/exception rent limit.

This indicator scores 5 points for compliance or 0 points where there is not compliance.

The key elements to test for this indicator are:

- The HA SEMAP certification form and MTCS reports show newly leased compared to the FMR.
- Excluding OFTO, at least 98% of the units newly leased under the certificate program have gross rents at or below the applicable FMR or exception rent.
- The HA's current rental voucher program payment standards do not exceed the FMR or exception rent and not less than 80% of the payment standard.

The SFHA statistical report show that the rents are within the criteria established by the indicator.

The SFHA scores 5 points for this indicator.

SEMAP INDICATOR 9

Annual Reexaminations
9-30-02

This indicator tests whether the Housing Authority has completed reexaminations of each participating family at least every 12 months, and that re-exams are not more than two months over due.

This indicator scores 10 points where less than 5% are late, 5 points where 5-10% are late, or 0 points where more than 10% are late.

The key elements to test for this indicator are:

- The HA files for the tenant must support the annual reexamination and the MTCS must be updated by updating the 50058.

Audit tests and the supervisory quality control tests support that the SFHA is re-examining at least 90% of tenants annually and that these re-examinations are not more than two months late. During the past 5 months, since the staff time has been divided between new tenants in the eligibility process and the re-examination process, the backlog of re-examinations has grown to where it is approaching 10%. While this is a temporary condition, it has occurred at the end of the fiscal year and SEMAP reporting time.

- The SFHA scores 5 points for this indicator.

SEMAP INDICATOR 10

Correct Tenant Rent Calculations
9-30-02

This indicator tests whether the Housing Authority correctly calculates tenant rent for certificate participants and the family's share of rent to the owner for voucher participants..

This indicator scores 5 points where less than 2% of the tenants have rent discrepancies or 0 points where there are more than 2% discrepancies.

The key elements to test for this indicator are:

- The HA files for the tenant must be submitted to the MTCS.
- The MTCS statistics must not reflect more than 2% errors.

Audit tests and the supervisory quality control tests support that the SFHA error rate for tenant rent is less than 2%. The test work is included in the random sample of client files test to validate that the SFHA is meeting the criteria for this indicator. In fact, the test did not disclose any errors in rent calculation.

The SFHA scores 5 points for this indicator.

SEMAP INDICATOR 11

Pre-contract HQS Inspections
9-30-02

This indicator tests whether the Housing Authority is not allowing units to be on the program until they have passed HQS inspections.

This indicator scores 5 points where at least 98% of new units have passed HQS prior to the lease effective date or 0 points where less than 98% have passed prior to the lease effective date.

The key elements to test for this indicator are:

- The HA must inspect and the units must pass HQS prior to the lease date.

Audit tests and the supervisory quality control tests support that the SFHA does not put units on lease until HQS inspections have been made and the units have passed. The test work is included in the random sample of client files test to validate that the SFHA is meeting the criteria for this indicator.

The SFHA scores 5 points for this indicator.

SEMAP INDICATOR 12

Annual HQS Inspections
9-30-02

This indicator tests whether the Housing Authority is inspecting every unit under contract at least every 12 months.

This indicator scores10 points where less than 5% of the inspections are late, 5 points where 5-10% are late, or 0 points where more than 10% are late.

The key elements to test for this indicator are:

- The HA must inspect every unit each 12 months.

Audit tests and the supervisory quality control tests support that the SFHA meets the less than 5% test. New controls and new reports have been developed that provide critical information to assure that all inspections and reinspections are completed timely. The test work is included in the random sample of client files test to validate that the SFHA is meeting the criteria for this indicator.

The SFHA scores 10 points for this indicator.

SEMAP INDICATOR 13

Lease Up
9-30-02

This indicator tests the level of lease up for the Housing Authority during the past 12 months.

This indicator scores 20 points where the Housing Authority has 98% of the budgeted units leased, 15 points where 95-97% are leased, or 0 points where less than 95% are leased.

The key elements to test for this indicator are:

- The HA unit months divided by 12 is the average number that must be leased during the past 12 months.

The statistics for the SFHA show that the current lease up is less than 95% and therefore the SFHA does not score any points for Lease Up. The Lease Up was materially impacted by freeze HUD placed on the SFHA's authorization to use the waiting list during a period of 6 months. When this freeze was lifted, the SFHA immediately started processing applicants. However, the time necessary for the SFHA to recover from the lease up freeze has not yet occurred. The SFHA, however, will comment on the SEMAP submission, including the statistics showing the number of quality choice vouchers that have been issued but where the applicant has not secured housing. If there is no scoring for this criteria, HUD has indicated that scoring and points for criteria 9, 10, 11, and 14 may not be possible. The San Francisco Housing Authority requests that this SEMAP criteria be provided full score based on any deficiency has been beyond the control of the SFHA and the result of the freeze placed on new admissions by HUD. I absence of the scoring on this indictor, the SFHA requests that this indicator be deleted from the required indicators for submission and scoring. Further, that the submitted scoring for indicators 9,10,11, and 14 be allowed scoring as submitted.

The SFHA scores 0 points for this indicator.

SEMAP INDICATOR 14

Family Self Sufficiency and Escrow Accounts
9-30-02

This indicator shows whether the Housing Authority has enrolled participants as required and the success of the program.

This indicator scores 10 points where the Housing Authority has 80% or more of the FSS slots filled, 3 points where 60-79% are filled, or 0 points where less than 60% are filled.

The key elements to test for this indicator are:

- The HA must have the percentage of slots filled in the FSS program.

The statistics for the SFHA show that more than 80% of the slots have been filled. In fact, the slots are 236 with 45 graduates, which brings the slot requirement down to 191. Currently there are 169 slots filled so the SF exceeds the minimum requirement. The percentage is 88% filled. Further, 108 of these participants have escrow accounts. The program has provided opportunities for 11 participants to complete leave subsidized housing and remain self-sufficient.

The PIC system at HUD has not accepted the data input for most of the FSS tenants. This problem is not unique to the SFHA and full scoring is requested for this indicator.

The SFHA scores 10 points for this indicator.

SEMAP BONUS INDICATOR

Deconcentration Bonus
9-30-02

This indicator shows whether the Housing Authority tenants with children have moved from areas of poverty to areas of low poverty has enrolled participants as required and the success of the program.

This indicator scores 5 points where the Housing Authority has met the criteria for deconcentration or 0 points where the criteria has not been met.

The key elements to test for this indicator are:

- The Housing Authority must certify appropriate data to support the accomplishments in deconcentration.

The statistics for the SFHA do not support that more than 50% of the tenants with children have relocated to areas of low poverty. However, with the current FMR's that have been approved by HUD, the opportunities for new participants on the program to seek housing in areas of low poverty have been greatly enhanced.

The SFHA scores 0 points for this bonus indicator.

D

SAN FRANCISCO HOUSING AUTHORITY

440 TURK STREET • SAN FRANCISCO, CA 94102 • PHONE (415) 554-1200 • FAX (415) 554-1316

DATE: November 5, 2002

TO: San Francisco Housing Authority Commission

Sululagi Palega, Sr., President
Julie Lee, Vice President
George R. Brown, Commissioner
Betty J. Smith, Commissioner
Andrew Clark, Commissioner
Neola Gans, Commissioner

DOCUMENTS DEPT.
DEC 18 2002
SAN FRANCISCO
PUBLIC LIBRARY

FROM: Gregg Fortner, Executive Director

SUBJECT: RESOLUTION APPROVING THE CERTIFICATION FOR THE PUBLIC HOUSING ASSESSMENT SYSTEM (PHAS) INDICATOR #3, MANAGEMENT OPERATIONS, FOR FISCAL YEAR 2002.

OVERVIEW

I request that the San Francisco Housing Authority (SFHA) Board of Commissioners approve the resolution to execute form HUD-50072, the Public Housing Assessment System (PHAS) annual certification.

Attached you will find a summary report of the SFHA's PHAS internal performance assessment score for fiscal year 2002 describing the scores for the individual sub-indicators which comprise the Management Operations indicator #3. As you can see, the SFHA has maintained a rating of "B" overall and a rating of "A" in all categories except Unit Turnaround Time. The low score in the Unit Turnaround Time category is the result of returning long standing vacant units back on line and leasing them as well as a shift in focus to lease up Section 8 vouchers from the new waiting list, established in September 2001.

TIMEFRAME

All public housing agencies with a fiscal year end of September 30 are required to submit the annual Public Housing Assessment System Management Operations Certification no later than November 30. In order for the submission to be considered complete, the Commission must approve the score by resolution.

OBJECTIVE

The objective of this resolution is to comply with the HUD regulations regarding the annual Management Operations assessment. Failure to do so could affect the timely payments of the operating subsidy and grant disbursements by HUD.

PRESENT SITUATION

For the fiscal year 2002, the SFHA will submit a score of 87% for PHAS indicator #3, Management Operations. This is consistent with the score received for fiscal year 2001. The level of management operations has not declined and is still rated as a Standard Performer.

ANTICIPATED OUTCOME

The anticipated outcome is that the SFHA will comply with the regulation and that the operating subsidies and grant disbursement will be released on time.

WHO BENEFITS

This resolution benefits the Authority by ensuring compliance with the HUD guidelines regarding submission of the annual Public Housing Assessment System report.

BUDGET CONSIDERATION

Failure to pass this resolution and approve the PHAS Management Operations Certification could result in the delay of operating subsidies and grant payments to the SFHA.

IMPLEMENTATION

The Commission must approve the Certification, form HUD-50072, to comply with the federal regulations regarding the Public Housing Assessment System.

RECOMMENDATION

I recommend that the SFHA Board of Commissioners approve the resolution authorizing the Board of Commissioners' President to execute form HUD-50072, the PHAS certification for fiscal year 2002.

RESOLUTION NO.: _____
DATE ADOPTED: _____

RESOLUTION APPROVING THE CERTIFICATION FOR THE PUBLIC HOUSING ASSESSMENT SYSTEM (PHAS) INDICATOR #3, MANAGEMENT OPERATIONS, FOR FISCAL YEAR 2002.

WHEREAS, the San Francisco Housing Authority is designated by the U.S. Department of Housing and Urban Development as a "Standard Performer" agency; and

WHEREAS, the San Francisco Housing Authority performed an internal performance assessment in accordance with the PHAS rule, which reveals that the SFHA's management performance for fiscal year 2002 has performed at a level qualifying as a "Passing" agency; and

WHEREAS, the San Francisco Housing Authority is required to provide certification as to data on PHAS indicator #3, Management Operations that include the following components: 1) Unit Turnaround Time; 2) Capital Fund; 3) Work Orders; 4) Annual Inspections Units & Subsystems; 6) Security; 7) Economic Self-Sufficiency.

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION OF THE HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO THAT:

1. The San Francisco Housing Authority approves the certification under the Public Housing Assessment System for performance indicator #3, Management Operations that include the following components: 1) Unit Turnaround Time; 2) Capital Fund; 3) Work Orders; 4) Annual Inspections Units & Subsystems; 6) Security; 7) Economic Self-Sufficiency.

2. The President of the Commission is authorized to execute the Public Housing Assessment System Program Certification form HUD-50072.

3. This resolution shall take affect immediately.

APPROVED AS TO FORM AND LEGALITY:

Carl Williams, General Counsel

11-8-02
Date

REVIEWED BY:

Gregg Fortner, Executive Director

11/8/02
Date

Public Housing Assessment System (PHAS) Management Operations Certification

U.S. Department of Housing and Urban Development
Real Estate Assessment Center

OMB No. 2535-0106
(exp.09/01/2002)

Public reporting burden for this collection of information is estimated to average 1.8 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information is collected to implement section 502 of the National Affordable Housing Act of 1990, as amended, which established specific indicators to assess the management performance of public housing agencies (PHAs) in all major areas of management operations. PHAs will complete the PHAS Certification form HUD-50072 and electronically submit it to HUD. If a PHA does not have this capability in-house, the PHA should consider utilizing local resources, such as the library or another local government entity that has Internet access. In the event local resources are not available, a PHA may go to the nearest HUD Public Housing program office and assistance will be given to the PHA to transmit this PHAS certification. The information is used by HUD as a component of PHAS to assess all major areas of PHA's management operations, designate PHAs as troubled and PHAs troubled with respect to the program for assistance from the Capital Fund under Section 9, enter into a Memorandum of Agreement (MOA) with troubled PHAs and PHAs troubled with respect to the program for assistance from the Capital Fund under Section 9, and report annually to Congress on the status of troubled PHAs and PHAs troubled with respect to the program for assistance from the Capital Fund under Section 9. This information is required for HUD to fulfill statutory requirements of the 1990 Act. The information collected does not lend itself to confidentiality.

Instructions: A PHA/AME's electronic responses to this certification must be the PHA/AME's actual data; e.g., prior to any adjustments to the indicators. Round percentages to the nearest two decimal points.

PHA/AME Name	For FY Ending	Submission Date
The Housing Authority of the City and County of San Francisco	9/30/2002	November 18, 2002

Project name(s) if AME

The management functions for the following sub-indicator (s) have been assumed by an RMC, and the RMC certification will be completed and submitted to HUD (enter sub-indicator numbers or N/A):

Sub-Indicator #1: Vacant Unit Turnaround Time

V12400	Total number of turnaround days.	88,903
V12500	Total number of vacancy days exempted for Capital Fund.	39,531
V12600	Total number of vacancy days exempted for other reasons.	0
V12700	Total number of vacant units turned around and lease in effect in the PHA's immediate past fiscal year.	553
V12800	Average number of calendar days units were in down time.	2.08
V12900	Average number of calendar days units were in make ready time.	69.69
V13000	Average number of calendar days units were in lease up time.	17.51
V13100	Average unit turnaround days.	89.28

Sub-Indicator #2: Capital Fund

CF10000	Do you have any open Capital Fund programs (e.g., CIAP, CGP, Hope VI, LBPRA, VRP) (Y/N)? Open = any program that does not have a pre-audit end date or that received a pre-audit end date during the fiscal year being assessed. Component #1 and #2 (please circle yes or no)	(Yes) No

Component #1: Unexpended Funds Over Three Federal Fiscal Years (FFYs) Old

CF10050	Total funds authorized over 3 FFYs old that do not have a pre-audit end date or that received a pre-audit end date during the fiscal year being assessed.	$ 17,260,486
CF10100	Total funds expended over 3 FFYs old that do not have a pre-audit end date or that received a pre-audit end date during the fiscal year being assessed.	$ 17,260,486
CF10200	Unexpended funds to be recaptured.	$ 0
CF10300	Unexpended funds approved by HUD over 3 FFYs old.	$ 0
CF10400	Unexpended funds with time extensions due to reasons outside of PHA control.	$ 0
CF10500	Adjusted total unexpended funds.	$ 0

Component #2: Timeliness of Fund Obligation

CF11100	Total funds authorized for grants older than 2 FFYs old.	$ 17,260,486
CF11200	Total funds obligated over 2 FFYs old.	$ 17,260,486
CF11300	Unobligated funds approved by HUD over 2 FFYs old.	$ 0
CF11400	Unobligated funds with time extensions due to reasons outside of PHA control.	$ 0
CF11500	Adjusted total unobligated funds.	$ 0

Component #3: Adequacy of Contract Administration

CF11700	The date of the last HUD/Army Corps of Engineers on-site inspection and/or audit related to contract administration (include A-133 Audit).	(09/27/2002)
CF11800	The number of findings related to contract administration.	0
CF11900	The number of findings related to contract administration that have been corrected by the PHA.	0
CF12000	The number of findings related to contract administration that the PHA is in the process of correcting.	0

Component #4: Quality of the Physical Work

CF12200	The date of the last HUD/Army Corps of Engineers on-site inspection and/or audit related to the quality of physical work.	(09/27/2002)
CF12300	The number of findings related to the quality of physical work.	0
CF12400	The number of findings related to the quality of physical work that have been corrected by the PHA.	0
CF12500	The number of finding related to the quality of physical work that the PHA is in the process of correcting.	0

Component #5: Adequacy of Budget Controls

CF12700	Total amount of Capital Funds expended during the PHA fiscal year being assessed.	$ 13,212,399
CF12800	The amount of Capital Funds expended on approved work items not subject to budget revisions during the PHA fiscal year being assessed.	$ 13,212,399
CF12900	The amount of Capital Funds expended under budget revisions with prior HUD approval during the PHA fiscal year being assessed.	$ 0
CF13000	The amount of Capital Funds expended under budget revisions not requiring prior HUD approval during the PHA fiscal year being assessed.	$ 0

Sub-Indicator #3: Work Orders

Component #1: Emergency Work Orders

W10000	Total number of emergency work orders.	2,861
W10100	Total number of emergency work orders completed / abated within 24 hours.	2,853
W10200	Percentage of emergency work orders completed / abated within 24 hours.	99.72%

Component #2: Non-Emergency Work Orders

W10500	Total number of non-emergency work orders.	33,608
W10600	Total number of calendar days it took to complete non-emergency work orders.	547,702
W10700	Average number of days PHA has reduced the time it takes to complete non-emergency work orders over the past three years.	2.24
W10800	Average completion days.	16.30

Sub-Indicator #4: Annual Inspection of Dwelling Units and Systems

Component #1: Annual Inspection of Dwelling Units

A10000	The total number of ACC units.	5,955
A10100	The sum of units exempted where the PHA made two documented attempts to inspect and is enforcing the lease.	21
A10200	Vacant units exempted for Capital Fund.	396
A10300	Vacant units exempted for other reasons.	200
A10400	Total number of units inspected using the Uniform Physical Condition Standards (UPCS).	5,338
A10550	Total number of units inspected that did not require repairs.	0
A10600	The number of units where necessary repairs were completed to comply with UPCS either during the inspection, issued work orders for the repairs, or referred the deficiency to the current year's or next year's Capital Fund program.	5,338
A10700	Adjusted units available.	5,338
A10800	Percent of units inspected by PHA.	100%

Component #2: Annual Inspection of Systems including Common Areas and Non-Dwelling Space

A11100	Total number of sites.	47
A11200	Total number of sites exempted from the inspection of systems.	1
A11300	The total number of sites where all systems were inspected in accordance with the UPCS.	46
A11400	Total number of buildings.	475
A11500	Total number of buildings exempted from the inspection of systems.	1
A11600	The total number of buildings where all systems were inspected in accordance with the UPCS.	474
A11700	The number of buildings and sites where necessary repairs were completed to comply with the Uniform Physical Conditions Standards either during the inspection, issued work orders for the repairs, or referred the deficiency to the current year's or next year's Capital Funds program.	474
A11800	Percentage of sites inspected.	100%
A11900	Percentage of buildings inspected.	100%

Sub-Indicator #5: Security

Component#1: Tracking and Reporting Crime-Related Problems

S10000	The date that the Board adopted current policies to track crime and crime-related problems.	(2/26/1998)
S10100	The date that the PHA implemented the current procedures to track crime and crime-related problems.	(2/26/1998)
S10200	The date that the PHA implemented a current cooperative system for tracking and reporting crime to local police authorities.	(2/26/1998)
S10300	The number of crimes that the PHA can document it reported to local police authorities.	70
S10400	Percentage of developments where PHA can document it tracks crime and crime-related problems.	100%

Component#2: Screening of Applicants

S10500	The date the Board adopted current screening policies that reflect the One-Strike criteria.	(11/13/1997)
S10600	The date the PHA implemented current screening procedures that reflect the One-Strike criteria.	(11/13/1997)
S10700	PHA can document that current screening procedures result in successfully denying admission to applicants who meet the One-Strike criteria. (please circle yes or no)	(Yes) No
S10800	The total number of applicants denied who met the One-Strike criteria.	5

Component#3: Lease Enforcement

S10900	The date the Board adopted current eviction procedures that reflect the One-Strike criteria.	(4/19/1997)
S11000	The date the PHA implemented current eviction procedures that reflect the One-Strike criteria.	(4/19/1997)
S11100	PHA can document that current eviction screening procedures resulted in the eviction of residents who meet the One-Strike criteria. (please circle yes or no)	(Yes) No
S11200	The total number of evictions as a result of the One-Strike criteria.	29

Component#4: Drug Prevention and/or Crime Reduction Program Goals

S11350	The number of HUD-funded drug prevention and/or crime reduction programs.	3
S11450	The number of non HUD-funded drug prevention and/or crime reduction programs that the PHA requests to be assessed.	0
S11550	The number of documented program goals that are related to drug prevention and/ or crime reduction.	8
S11600	The number of goals the PHA can document it met under the implementation plan(s) for any and all of these programs.	8
S11700	Percentage of goals that the PHA can document it met under implementation plan(s) for any and all of these programs.	100%

Sub-Indicator #6: Economic Self-Sufficiency

E10000	The number of HUD-funded economic self-sufficiency programs.	8
E10100	The number of non HUD-funded economic self-sufficiency programs that the PHA requests to be assessed.	10
E10200	The number of documented program goals that are related to economic self-sufficiency.	39
E10300	The number of goals the PHA can document it met under the implementation plan(s) for any and all of these programs.	39
E10400	Percentage of goals that the PHA can document it met under implementation plan(s) for any and all of these programs.	100%

Adjustments for Physical Condition and/or Neighborhood Environment

Please enter project number and name and indicate which area the adjustment for Physical Condition and/or Neighborhood Environment applies for a project. (Check all that apply)

Project No.	Project Name	Site	Common Areas	Building Exteriors

Please attach additional sheets as necessary for additional projects.

I certify that, as of the submission date, the above sub-indicators, under Public Housing Assessment System indicator #3 Management Operations are true and accurate for the fiscal year indicated. I further certify that, to my present knowledge, there is no evidence to indicate seriously deficient performance that casts doubt on the PHA's capacity to present and protect its public housing developments and operate them in accordance with Federal law and regulations. Appropriate sanctions for intentional false certification will be imposed, including suspension or debarment of the signatory.

A Board Resolution approving this certification is required. I further certify that Board Resolution number _____ approving this certification was passed on (mm/dd/yyyy) 11/14/2002 .

Executive Director (signature)	Date (mm/dd/yyyy)
X	X

SAN FRANCISCO HOUSING AUTHORITY
FY 2002 P.H.A.S. SCORE CARD
MANAGEMENT OPERATIONS INDICATOR # 3

Evaluation Criteria (P.H.A.S. Indicator if applicable)	10/01/01 - 9/30/02 Letter Grade	Numerical Grade	P.H.A.S. Points
INDICATOR # 3			
UNIT TURNAROUND TIME (Indicator 3:1)			
a. Downtime			
b. Adjusted Make-ready Time			
c. Lease-up Time			
AVERAGE UNIT TURNAROUND TIME	F	89.28	0
CAPITAL FUND (Indicator 3:2)			
a. Unexpended funds	A		1
b. Timeliness of Obligation	A		2
c. Contract Administration	A		1
d. Quality of Physical Work	A		2
e. Budget Controls	A		1
WORK ORDERS (Indicator 3:3)			
a. Emergency Work Orders (% work orders completed in 24 hours or less)	A	99.7%	2
b. Non-Emergency Work Orders (average days to complete work order)	A	16.30	2
ANNUAL INSPECTION OF UNITS & SYSTEMS (3:4)			
a. Inspection of Units	A	100%	2
b. Inspection of Systems	A	100%	2
SECURITY (Indicator 3:5)			
a. Tracking/Reporting Crime	A		1
b. Screening Applicants	A		1
c. Lease Enforcement	A		1
d. Grant Program Goals	A	100%	1
ECONOMIC SELF-SUFFICIENCY (Indicator 3:6)			
Grant Program Goals	A	100%	7
INDICATOR # 3 TOTAL			
TOTAL POINTS FOR INDICATOR #3 (30 points possible)	B	87%	26

E

SAN FRANCISCO HOUSING AUTHORITY
440 Turk Street • San Francisco CA • 94112 • (415) 554-1200

DOCUMENTS DEPT.
DEC 18 2002
SAN FRANCISCO
PUBLIC LIBRARY

DATE: November 8, 2002

TO: SAN FRANCISCO HOUSING AUTHORITY COMMISSIONERS

DOCUMENTS DEPT.
DEC 18 2002
SAN FRANCISCO
PUBLIC LIBRARY

Sululagi Palega, Sr., President
Julie Lee, Vice President
George R Brown, Commissioner
Betty J. Smith, Commissioner
Andrew J. Clark, Commissioner
Neola Gans, Commissioner

FROM: GREGG FORTNER, SECRETARY / EXECUTIVE DIRECTOR

SUBJECT: RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE DOCUMENTS AND TAKE ACTIONS PERTAINING TO THE FINANCING OF NORTH BEACH PLACE, INCLUDING A MIXED FINANCE AMENDMENT, DECLARATION OF TRUST AND RESTRICTIVE COVENANTS, GROUND LEASES, REGULATORY AND OPERATING AGREEMENT, HOPE VI LOAN DOCUMENTS, OPTION AGREEMENTS, SUBORDINATION AGREEMENTS, REVITALIZATION SERVICES AGREEMENT, RECIPROCAL EASEMENT AGREEMENT, NOTICE OF SPECIAL RESTRICTIONS, CERTIFICATIONS, AND OTHER DOCUMENTS

OVERVIEW

This resolution authorizes the Executive Director to execute documents and take any actions related to closing the North Beach Place revitalization financing including a execution of a Mixed Finance Amendment, Declaration of Trust and Restrictive Covenants, Ground Leases, Regulatory and Operating Agreement, HOPE VI Loan documents, Option Agreements, Subordination Agreements, Revitalization Services Agreement, Reciprocal Easement Agreement, Notice of Special Restrictions, Certifications, Subdivision Map and other related documents.

PROCUREMENT

The procurement process for the action covered by this Resolution meets the procurement standards of 24 CFR 85.36 "Procurement", HUD Handbook 7460.8 REV 1, "Procurement Handbook for Public Housing Agencies and Indian Housing Authorities", the San Francisco Housing Authority Procurement Policy Manual and the State of California and local laws.

The SFHA solicited responses to an RFP on January 28, 1998, requesting interested developers to submit proposals for the demolition and redevelopment of North Beach. In June 1998, the Commission authorized the Acting Executive Director to negotiate a MOU with the highest ranked development team, North Beach Development Associates, LLC (NBDA).

As the SFHA's developer partner procured under 24 CFR 85.36, NBDA procurements are now under the HUD procurement standards of 24 CFR Part 941, "Public Private Partnerships for the Mixed Finance Development of Public Housing Units". Following these procurement standards, NBDA, in consultation with the SFHA, selected Cahill Construction and Nibbi Brothers as General Contractors.

OBJECTIVES

The objectives of this resolution are to authorize the Executive Director to execute and submit to HUD the HOPE VI Mixed Finance closing documents for the North Beach revitalization that replaces all 229 public housing units with 138 new public housing and 91 Section 8 Project Based units while adding 112 additional affordable housing units. These documents include, but are not limited to:

(1) Mixed Finance Amendment to the Annual Contributions Contract allowing ACC payments to be made to the North Beach mixed finance development. (ATTACHMENT 1).

(2) Declaration of Trust and Restrictive Covenants that passes on the HUD restrictions on the use of land to the 138 public housing units for the duration of the ACC. All private construction and permanent loans are subordinate to the Declaration.

(3) Residential Ground Lease under which the SFHA leases the land to the Partnership for a term not to exceed 75 years and through which the SFHA will receive a portion of cash flow. The SFHA continues to own the land and passes on public housing restrictions through the Regulatory and Operating Agreement.

(4) Commercial Ground Lease under which the SFHA leases the land to the Partnership for a term not to exceed 40 years and through which the SFHA will receive a portion of cash flow.

(5) Regulatory and Operating Agreement which passes through the ACC subsidy to the operator of the public housing units and imposes the public housing restrictions including categories of tenants eligible for units and a provision that all relocated residents in good standing have first right to return to the new housing.

(6) SFHA Loan Documents that provide for loan of HOPE VI funds to the Partnership.

(7) Options and Rights of First Refusal that give the SFHA the option to purchase the residential improvements after 15 years, commercial improvements after 20 years or before any other buyer at other times under terms described below in Budget Considerations.

(8) Management Agreement that provides for private management to manage the development.

(9) Management Plan that specifies in detail who is eligible, how the residents will be selected and how the development will be managed.

(10) HOPE VI Rental Term Sheet that summarizes the revitalization, financing and parties involved in the transaction (ATTACHMENT 1).

(11) Certifications and Memoranda pursuant to HOPE VI Program requirements and legal opinions required by HUD.

(12) Declaration Establishing Reciprocal Easements and Covenants Running with the Land, Notice of Special Restrictions and a Subdivision Map.

(13) Other Evidentiaries to which the SFHA is not a party including: limited partnership agreement and syndication documents, Citibank F.S.B. loan agreement and related security documents, City and County of San Francisco loan agreement and related security documents, Citibank Affordable Housing Program Direct Subsidy Agreement and related documents, certifications and legal opinions related to HOPE VI requirements, completion, repayment and deficit guaranties related to construction.

PRESENT SITUATION

On May 16, 1997, HUD executed the grant agreement with the San Francisco Housing Authority in the amount of $20 million to revitalize North Beach, $10 million less than the amount in the SFHA's HOPE VI application. A Modernization Study, dated July 1997, determined that it was more cost efficient to demolish the original buildings and reconstruct new public housing facilities rather than renovate and modernize existing obsolete facilities.

Following procurement of the developer partner, the SFHA and NBDA prepared and submitted a HOPE VI Revitalization Plan to HUD with schematic drawings, a mixed financing plan, draft self-sufficiency plan, relocation plan and interim management plan. HUD approved the Revitalization Plan in June 1999. Refinements were made to the plan with better orientation to the surrounding neighborhood, more defensible space, apartments with individual entrances, a smaller commercial component and reduced costs. The plan rebuilds 229 public housing and Section 8 replacement units and adds 112 apartments affordable for working families. It also includes extensive community facilities, a recessed parking garage, retail and commercial space, and 3,000 square feet of resident business incubator space.

There have been approximately four meetings per month with residents and/or the community over the past six years during the planning process. These meetings will continue until the development is rebuilt and residents have re-occupied the new housing. During this process, there has been considerable controversy around relocation. Since 1998, the SFHA, NBDA and the Mayors Office of Housing (MOH) as a major source of funding developed a feasible plan

for demolishing and rebuilding the site and closed the financing gap with a commitment of $10 million from the Mayor and a commitment from MOH to support a very large allocation of nine percent competitive tax credits. MOH conditioned their commitments on the project moving forward in one phase. On May 29, 2002, the project was awarded approximately $53 million in a combination of state and federal low income housing tax credits. All residents have now been relocated, demolition on the East Block is complete and demolition on the West Block is underway.

There have been a number of prior Commission actions in preparation for the North Beach revitalization. In April of 1999, the Commission authorized the Acting Executive Director to enter into a Memorandum of Understanding (MOU) and execute Predevelopment Loan Agreement with NBDA. HUD approved an Amended and Restated MOU in December 1999. In January of 2001, the Commission authorized the expenditure of up to $5,224,098 for the predevelopment related activities to support the project. In October 2001, the Commission authorized execution of the Disposition and Development Agreement (DDA) between NBDA and the SFHA and submission of a Disposition application to HUD that was approved on June 6, 2002.

The terms of the DDA constitute the principal terms of agreement between the SFHA and NBDA on the design, construction, financing, performance schedule, ownership, management and re-purchase options. The DDA established the project parameters to be used to prepare the request for financing commitments from private lenders, public agencies, the California Tax Credit Allocation Committee (TCAC), and other investors.

Ownership of the Project following completion of construction will consist of: (a) a Limited Partnership that will own the Residential Component, i.e. all housing units, community facilities and associated parking spaces (the "Housing LP"), and (b) a Limited Liability Company that will own the Commercial Component, i.e. retail space, resident business incubator and associated parking spaces (the "Commercial LLC").

During construction, BRIDGE 's 501 (c) (3) nonprofit affiliate will act as the managing general partner of the Housing LP. NBDA and North Beach Housing, Inc., a new nonprofit 501 (c)(3) with representatives from BRIDGE, the SFHA and a public housing resident, will act as special limited partners of the Housing LP. The tax credit investor, Related Capital Company, will be the limited partner and provide $48 million in tax credit equity. Upon completion of construction and granting of 501 (c)(3) status, the North Beach Housing, Inc. will become managing general partner of the Housing LP.

North Beach Housing, Inc. will have a board made up of two SFHA appointees (one reserved for a tenant representative) and three BRIDGE appointees. Its bylaws require a supermajority (i.e. 4 out of 5 votes) for any amendment of the affordability levels of Project units, or other matters related to Public Housing requirements, the tenant selection criteria, the local hiring policies, the bylaws themselves, or any sale, lease, refinancing or transfer of the property.

The Project will be financed with a combination of public and private funds including:

- $23.2 million in HOPE VI Revitalization and Demolition Grant funds from the SFHA.
- $10 million in financing from the San Francisco Mayor's Office of Housing ("MOH").

- $1 million Affordable Housing Program ("AHP") subsidy from the Federal Home Loan Bank.
- $51.3 million private residential mortgage financing
- $4.3 million private commercial mortgage financing
- $48 million in private equity generated by the syndication of low-income housing tax credits.

Another key element of the project's financing plan is the award of 119 enhanced Section 8 Vouchers that provide an income stream for the development's long-term residential mortgage (91 for replacement public housing units and 28 for new tax credit units).

Developer Guarantees

NBDA will guarantee to the tax credit investors the completion of construction, the payment of any operating shortfalls (for a fixed number of years) and delivery of all projected tax credits.

In addition, NBDA will guarantee the repayment of the Project's construction loan and, if required, the Project's long-term commercial mortgage loan. NBDA will also provide a completion guaranty to the SFHA.

Property Management

The property manager during the initial period of tax credit compliance will be the John Stewart Company, which currently has over 22,000 units under management throughout California (the majority of which involve HUD financial assistance or low income housing tax credits).

BUDGET CONSIDERATION

An analysis of the financial returns of the North Beach revitalization, based on the October 29, 2002 proforma, has been performed by the SFHA's financial advisor, CSG. SFHA receives two primary forms of return in this transaction – buildings and money. These returns are designed to compensate SFHA for its contributions:

- the long-term lease of two city blocks;
- pass-through of its $20,000,000 HOPE VI revitalization grant;
- pass-through of its $3,205,325 HOPE VI demolition grant;
- considerable staff time and resources to structure and execute the revitalization; and
- ongoing oversight and reporting to HUD on the public housing units.

Buildings

The major benefit of the North Beach HOPE VI revitalization is the replacement of the original 229 public housing units with 229 new public housing and project-based Section 8 replacement units. The North Beach relocatees and other SFHA residents will be much better served by this new development. Initially, the SFHA will not own the improvements being constructed on the site including: 229 replacement housing units; 112 other affordable housing units, community facilities and 21,500 square feet of commercial space. The SFHA will have options to purchase all buildings on the site, starting as early as 12 years from closing. The financial structure of the project is specifically designed to permit reacquisition by the SFHA (or its designated nonprofit affiliate), with minimal outlay of its own funds, in the shortest time permissible within regulatory and financing constraints.

Residential purchase option

The SFHA will have the option to purchase all 341 housing units at the North Beach site starting 12 years from closing. The purchase price is the lowest amount allowed by the IRS in this type of transaction – the sum of debt on the property plus the exit taxes of the departing limited partner. Under current projections, and assuming the SFHA exercises its option 15 years from closing, this translates to assuming approximately $7.8 million of remaining debt on the property and paying no exit taxes because none are incurred. The assumed debt is projected to be easily supported by the operating income of the property.

Commercial purchase option

The SFHA will have the option to purchase the commercial space at North Beach starting 20 years from closing. The purchase price is 70 percent of fair market value. It will be the responsibility of the owner, not the SFHA, to pay off any loans and transfer the commercial property to the SFHA without debt. The SFHA should be able to finance the purchase by borrowing funds against the income produced by the commercial leases. Since banks will generally finance 75 to 80 percent of the fair market value of the project, the SFHA should be able to use the 30 percent "instant equity" created by the discounted sales price to leverage the remaining funds needed for the purchase. Since the purchase price and the loan are both linked to the fair market value, this provision should enable the SFHA to acquire the commercial project without contributing any funds, regardless of project value.

In summary, by the end of 20 years of operation of the project, it is reasonably anticipated that the entire property, ground and structures, will be owned by the SFHA or its designated nonprofit affiliate. Should the SFHA be unwilling or unable to purchase the buildings, the buildings will eventually revert to SFHA ownership at the end of the ground leases (75 years for the residential structures, 40 years for the commercial). Because SFHA does not initially own the buildings, SFHA does not pay the costs of staffing and running them. Prior to any future repurchase, professional property management services will be provided by John Stewart Company at no cost to SFHA. SFHA will receive a portion of cash flow from the lessees as a ground lease payment. SFHA will retain an oversight role with regard to the public housing units, and it will be compensated for this work and related HUD reporting through an oversight fee effectively paid by the project. SFHA contributes up to 95 percent of annual operating subsidy per unit for operation of the ACC public housing units at North Beach. The remaining five percent is retained by the SFHA for administrative and oversight costs.

SFHA Financial Return

In addition to the buildings, the North Beach HOPE VI revitalization brings significant financial returns to the SFHA. The table on the following page summarizes the major financial benefits.

Summary of Components of SFHA Financial Return on North Beach

Component	Present Value	Notes
SFHA cost reimbursements and administrative fee	$5,511,583	Mostly cost reimbursement to the SFHA for project management, resident relocation, and other costs for revitalization. $1,658,509 of total is administrative fee.
Ground lease – One-time upfront payment	$0 to $1,100,000	Full amount will be held as a reserve to guarantee SFHA performance during lease-up. The full $1.1 million will be released to the SFHA less any lease-up delay costs attributable to SFHA processing.
Ground lease – Ongoing annual payments from residential portion of development	$5,000,000	Over 15 years prior to assumed SFHA purchase of residential buildings.
Ground lease – Ongoing annual payments from commercial portion of development	$600,000	Over 20 years prior to assumed SFHA purchase of commercial buildings.
Initial operating deficit reserve	$0 to $200,000	Reserve to subsidize tenant rents during lease-up prior to receiving ACC subsidy from HUD. Any unused portion will be released to the SFHA once ACC subsidies are in place.
Excess development proceeds	$0 to 4,000,000	The SFHA will receive 58% of any development cost savings and unused contingency funds on the residential buildings.
Total	$11.1 to 16.4 million	

Note: in the case of future income streams and value received in future years, we have used a discount rate of five percent, representing SFHA's likely return on an alternative investment, since SFHA alternative investments are constrained by law.

Developer Fee

NBDA will receive a total net developer fee from the Project as follows:

Residential Developer Fee:	$1,560,000
Commercial Developer Fee:	750,482
Preconstruction Services (PSA) Fee:	500,000
Prepaid Management Fee:	440,000
TOTAL	$3,250,482

A portion of the Residential Developer Fee is being paid as development overhead during the predevelopment phase, and the Pre-construction Services Fee is being paid during the course of the demolition of the two blocks of existing housing. The remainder of the total fee will be paid during and after construction and upon Project completion. NBDA will also receive 15 percent of any cost savings, up to a maximum of $1 million.

WHO BENEFITS

A mixed-use development is a unique endeavor for public housing in the United States and a unique opportunity for the San Francisco Housing Authority to develop income-generating property while rebuilding public housing and adding additional affordable housing to the City's housing stock. When completed, North Beach will be used to demonstrate to local public housing residents, residents of the Bay Area, and tourists from all over the world, that public housing in San Francisco is safe, comfortable, and compatible with adjacent neighborhoods.

Completing this final step in the predevelopment process will benefit North Beach residents, the SFHA and the City by allowing construction to move forward.

RESIDENT HIRING

The resident hiring for demolition and construction of North Beach is progressing under the North Beach Resident Hiring Plan. The process is managed by NBDA's Resident Hiring Coordinators working with the SFHA's Resident Hiring Coordinator. The most recent NBDA reporting of resident hiring, in accordance with the North Beach Resident Hiring Plan, for the period of time through October 28, 2002, is as follows:

- 47.63 percent for the development team
- 4.62 percent for the consultant team
- 37.65 percent for the construction team

MBE/WBE PARTICIPATION

North Beach Development Associates (NBDA) is a joint venture developer that includes EM Johnson Interests, Inc, an MBE development company. In addition, the General Contractor, Cahill/Nibbi is negotiating with a local MBE contractor who will construct a carve-out of the development under contract with Cahill/Nibbi. To date, the Consultant Team is 43.51 percent MBE and 8.08 percent WBE. The Construction team for demolition is 32.4 percent MBE. During construction, MBE/WBE participation will be at least 20 percent.

RECOMMENDATION

Staff recommends adoption of this resolution.

(Prepared by: Barbara Smith)

RESOLUTION NO. _____

DATE ADOPTED _____

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE DOCUMENTS AND TAKE ACTIONS PERTAINING TO THE FINANCING OF NORTH BEACH PLACE, INCLUDING A MIXED FINANCE AMENDMENT, DECLARATION OF TRUST AND RESTRICTIVE COVENANTS, GROUND LEASES, REGULATORY AND OPERATING AGREEMENT, HOPE VI LOAN DOCUMENTS, OPTION AGREEMENTS, SUBORDINATION AGREEMENTS, REVITALIZATION SERVICES AGREEMENT, RECIPROCAL EASEMENT AGREEMENT, NOTICE OF SPECIAL RESTRICTIONS, CERTIFICATIONS, AND OTHER DOCUMENTS

WHEREAS, Resolution 4998, adopted on October 11, 2001, authorized the San Francisco Housing Authority ("SFHA") to enter into a Disposition and Development Agreement dated as of March 12, 2002, with North Beach Development Associates, a California Limited Liability Company, to revitalize 229 units of public housing units owned by the SFHA commonly known as the "North Beach Projects" located on two separate parcels of land: one located between Mason, Taylor, Bay and Francisco streets, and the other located between Taylor, Columbus, Bay and Francisco streets in San Francisco, California; and

WHEREAS, revitalization of the North Beach Projects will consist of the demolition of existing improvements and construction of 341 new units of affordable housing, of which 253 units will be reserved for public housing and Section 8 residents, and 17,300 square feet of community space and childcare facilities (the "Residential Development"), and approximately 20,000 square feet of commercial space (the "Commercial Development") to be known as North Beach Place (the Residential Development and the Commercial Development may be referred to collectively as the "Development"); and

WHEREAS, in November 1996, the U.S. Department of Housing and Urban Development ("HUD") awarded SFHA a grant of HOPE VI funds in the approximate amount of $20,000,000 for the revitalization of the North Beach Projects; and

WHEREAS, following Commission authorization for execution of the HOPE VI grant agreement between the SFHA and HUD, in May 1997 HUD executed the grant agreement; and

WHEREAS, the Residential Development is to be financed with HOPE VI funds, low income housing tax credits, and other loans; and

WHEREAS, in order to achieve the benefits of tax credit financing, the Residential Development will be owned by a limited partnership known as North Beach Housing Associates, a California limited partnership (the "Partnership"); and

WHEREAS, the Commission deems it to be in the best interest of the SFHA to enter into a Ground Lease and Memorandum of Ground Lease with the Partnership, for a term not to exceed 75 years, to lease the real property on which the Residential Development will be constructed; and

WHEREAS, the Commission deems it to be in the best interest of the SFHA to enter into a Ground Lease and Memorandum of Ground Lease with North Beach Retail Associates, LLC, a California limited liability company ("NBRA"), for a term not to exceed 40 years, to lease the real property on which the Commercial Development will be constructed; and

WHEREAS, the Commission deems it to be in the best interest of the SFHA to enter into a HOPE VI Construction/Permanent Loan Agreement and related documents with the Partnership in order to provide a loan of HOPE VI funds for the Residential Development in an amount not to exceed $14,488,417 (the "HOPE VI Loan"), such related documents to include a Revitalization Services Agreement, Intercreditor Agreement, Regulatory and Operating Agreement, Affordability Reserve Escrow Agreement, subordination agreements to assure the priority of the HOPE VI Loan over a loan from the City and County of San Francisco in the amount of $10,000,000 (the "City Loan"), and a loan of Federal Home Loan Affordable Housing Program loan through Citibank F.S.B.("Citibank") in the amount of $1,000,000 (the "AHP Loan"); and

WHEREAS, the Commission deems it to be in the best interest of the SFHA to induce Citibank to provide additional financing to the Partnership for the Residential Development in an amount not to exceed $50,400,000 (the "Citibank Residential Loan") by entering into a subordination agreement with the Partnership and Citibank to subordinate the HOPE VI Loan deed of trust to the Citibank Residential Loan deed of trust; and

WHEREAS, the Commission deems it to be in the best interest of the SFHA to execute certain documents and certifications for the benefit of HUD in connection with the HOPE VI Loan including, a Mixed-Finance Amendment to the Annual Contributions Contract, a Declaration of Trust and Restrictive Covenants, a Certification Re: Permits and Approvals, and HOPE VI Certifications; and

WHEREAS, the Commission deems it to be in the best interest of the SFHA to execute a Subdivision Map in order to create the parcels upon which the Residential and Commercial Developments will be constructed and enter into a Declaration Establishing Reciprocal Easements and Covenants Running with the Land (the "Reciprocal Easements Agreement") and a Notice of Special Restrictions in order to establish efficient use, maintenance and control of structures to be constructed on the Residential and Commercial Developments; and

WHEREAS, the Commission deems it to be in the best interest of the SFHA to execute the Subdivision Map, the Reciprocal Easements Agreement and the Notice of Special Restrictions, and to enter into a Subordination Agreement to subordinate the Reciprocal Easements Agreement to the Declaration of Trust and Restrictive Covenants; and

WHEREAS, the Commission deems it to be in the best interest of the SFHA to enter into a Purchase Option Agreement and Right of First Refusal and a Memorandum of Purchase Option Agreement and Right of First Refusal with the Partnership to purchase the Residential Development (the "Residential Purchase Option") from the Partnership at the end of the 15 year tax credit compliance period applicable to the Residential Development; and

WHEREAS, the Commission deems it to be in the best interest of the SFHA to enter into subordination agreements with the Partnership to subordinate the Residential Purchase Option to the Citibank Residential Loan, the City Loan and the HOPE VI Loan; and

WHEREAS, the Commission deems it to be in the best interest of the SFHA to enter into a Purchase Option Agreement and Right of First Refusal and a Memorandum of Purchase Option Agreement and Right of First Refusal with NBRA to purchase the Commercial Development (the "Commercial Purchase Option") from NBRA after 20 years; and

WHEREAS, the Commission deems it to be in the best interest of the SFHA to enter into a subordination agreement with NBRA to subordinate the Commercial Purchase Option to a loan from Citibank in the approximate amount of $5,000,000 (the "Citibank Commercial Loan") for the construction of the Commercial Development; and

WHEREAS, the Commission deems it to be in the best interest of the SFHA to submit the evidentiary documents to HUD for its approval; and

WHEREAS, all documents will be subject to any required HUD approvals, as well as to approval by SFHA general and special legal counsel.

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION OF THE HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO THAT:

1. The SFHA shall enter into a Ground Lease and a Memorandum of Ground Lease with the Partnership for a term not to exceed 75 years to lease the real property on which the Residential Development will be constructed.

2. The SFHA shall enter into a Ground Lease and a Memorandum of Ground Lease with NBRA for a term not to exceed 40 years to lease the real property on which the Commercial Development will be constructed.

3. The SFHA shall enter into a HOPE VI Construction/Permanent Loan Agreement, Revitalization Services Agreement, Intercreditor Agreement, Regulatory and Operating Agreement, Affordability Reserve Escrow Agreement, and subordination agreements with Citibank and the City, to provide HOPE VI funds in an amount not to exceed $14,488,417 to the Partnership for the development and construction of the Residential Development.

4. The SFHA shall execute a Mixed-Finance Amendment to the Annual Contributions Contract, a Declaration of Trust and Restrictive Covenants, a Certification Re: Permits and Approvals and HOPE VI Certifications for the benefit of HUD in connection with the HOPE VI Loan.

5. The SFHA shall execute a Subdivision Map, the Reciprocal Easements Agreement, the Notice of Special Restrictions and a Subordination Agreement to subordinate the Reciprocal Easements Agreement to the Declaration of Trust and Restrictive Covenants.

6. The SFHA shall enter into a Purchase Option Agreement and Right of First Refusal and a Memorandum of Purchase Option Agreement and Right of First Refusal in connection with the Residential Development.

7. The SFHA shall enter into agreements to subordinate the Residential Purchase Option to the Citibank Residential Loan, the City Loan and the HOPE VI Loan.

8. The SFHA shall enter into a Purchase Option Agreement and Right of First Refusal and a Memorandum of Purchase Option Agreement and Right of First Refusal in connection with the Commercial Development.

9. The SFHA shall enter into an agreement to subordinate the Commercial Purchase Option to the Citibank Commercial Loan.

10. The SFHA approves the evidentiary documents and their submission to HUD.

11. All of the foregoing resolutions shall take effect only upon HUD approval of the actions and documents described above.

12. The Executive Director of the SFHA, or his designee, is authorized to execute, with such modifications as the Executive Director shall deem necessary or required to effect the intent of these resolutions, ground leases, memoranda of ground lease, HOPE VI Construction/Permanent Loan Agreement, Revitalization Services Agreement, Intercreditor Agreement, Regulatory and Operating Agreement, Affordability Reserve Escrow Agreement, subordination agreements, Mixed-Finance Amendment to the Annual Contributions Contract, Declaration of Trust and Restrictive Covenants, Certification Re: Permits and Approvals, HOPE VI Certifications, purchase option agreements and rights of first refusal, memoranda of purchase option agreements and rights of first refusal, and may execute such other documents, and approve and submit the evidentiary documents to HUD, and take such other actions as he deems necessary to effect the transactions described above or contemplated in these resolutions, subject to required HUD approvals and the approval of SFHA legal counsel.

13. This Resolution shall take effect immediately.

APPROVED AS TO FORM AND LEGALITY:

CARL L. WILLIAMS, General Counsel

Date: 11-8-02

REVIEWED BY:

Gregg Fortner, Executive Director

Date: 11/8/02

North Beach Documents

Attachment 1 - Rental Term Sheet

Attachment 2 - Mixed-Finance Amendment to Consolidated Annual Contributions Contract

Attachment 3 - Ground Lease Agreement (North Beach Place – Residential)

Attachment 4 - Ground Lease Agreement (North Beach Place – Commercial)

Attachment 5 - Purchase Option Agreement & Right of First Refusal

Attachment 6 – Declaration Establishing Reciprocal Easements & Covenants with the Land

Attachment 7 – Regulatory And Operating Agreement

Attachment 8 - Affordability Reserve Escrow Agreement (North Beach Place)

Attachment 9 - North Beach Place Management Agreement

Attachment 10 - North Beach Place Management Plan

Attachment 11 – HOPE VI Construction/ Permanent Loan Agreement

Attachment 12 - North Beach HOPE VI Loan Promissory Note

Attachment 13 - Subordination Agreement

Attachment 14 - Deed of Trust Assignment of Rents & Security Agreement

Rental Term Sheet

The term sheet consists of four sections that are to be filled out by the PHA as part of the Mixed-Finance Proposal and submitted to the HUD Grant Manager for presentation to the Project Review Panel:

A. **Specific Phase Project Summary:** A one-paragraph narrative description of the specific phase for posting on the HUD web site.

B. **Program Overview:** A description of the overall development program, financing, and schedule.

C. **Specific Phase Overview:** A description of the program details for the specific phase under review.

D. **Statement of Business Terms:** A description of the deal terms between the PHA and other parties for the specific phase under review.

A. Specific Phase Project Summary

Purpose: To provide a short summary description of the specific phase under review for posting on HUD's web site. Other PHAs can then review the summary of closed phases to find PHAs with similar deals and can contact those authorities for information, sample documents, etc.

Instructions: Provide a brief narrative that describes the specific phase to be reviewed. Include the following information:

- The overall unit count broken down by unit type (i.e., ACC, LIHTC, ACC/LIHTC, market, etc.);
- Sources of funding;
- The names of the major partners;
- The building type(s) being constructed (e.g., row, detached/semi-detached, walk-up, etc.);
- Any non-residential or mixed uses;
- Any elderly designated units in the phase;
- Any unusual features of the phase (e.g., a land swap, commercial facilities, operating subsidy only units, scattered site acquisition and development, etc.).

Name of PHA: San Francisco Housing Authority
Name of Development: North Beach Place HOPE VI
HOPE VI Grant No./Development Project No.: CA39URD0011296
Contact Name: Barbara Smith
Contact Phone No.: (415) 715-3220

DOCUMENTS DEPT.

DEC 1 8 2002

SAN FRANCISCO
PUBLIC LIBRARY

Narrative:	The North Beach Place HOPE VI development replaces 229 units of severely distressed public housing with 341 new affordable apartments that will serve a range of very low- low- and moderate-income families and seniors in one of nation's most expensive housing markets. Forty-eight (48) units will be in a designated senior building, and the remaining 293 units are designed to serve families. The development will include 138 ACC public housing units, 118 units supported by a project-based Section 8 contract, and 85 additional affordable tax credit units. Five of the ACC public housing units have been set aside for returning North Beach residents whose incomes exceed 60% of the area median income; the remaining 336 apartments will be regulated by the tax credit program to serve households with incomes below 60% of the area median. The new apartments will be a combination of townhouses and flats constructed above a podium that covers approximately 21,500 of commercial space including a resident business incubator and 323 parking stalls for the apartments and retail uses. The commercial space will be financed, developed, owned, and operated separately within a distinct air-rights parcel, but it will directly benefit residents of the new development as well as the surrounding neighborhood. Other amenities of the development include a teen center, a computer learning center, and on-site childcare facility, meeting space for the tenants' association, and landscaped areas for active and passive uses. Numerous community stakeholders have participated in the development process, and the apartments and commercial space have both been designed to enhance the fabric of the neighborhood. The San Francisco Housing Authority and its development partners, BRIDGE Housing Corporation, The John Stewart Company, and Em Johnson Interests, Inc. have leveraged $23.2 million in HOPE VI Revitalization and Demolition Grant funding with $48.0 million in tax credit equity, $19.6 million in first mortgage debt, $10.0 million in loans from the City of San Francisco, and $1.0 million in AHP funds from the Federal Home Loan Bank. Financing for this $102 million development will close in late November 2002. Initial foundation construction commenced in October 2002.

B. Program Overview

Purpose of this section: To provide a context for reviewing the overall project.

I. Proposed Unit Mix

Purpose: To provide the unit mix for the overall project so that HUD can evaluate the current phase in context.

Instructions: Complete the Excel spreadsheet **Unit Mix Entire Project** to describe the proposed unit mix for the entire project.

II. Non-Residential Uses

Purpose: To describe the types of non-residential uses for the overall project so that HUD can evaluate the current phase in context.

Instructions: For each **non-residential** building planned, complete the following table for the overall project.

Building Name/Use(s)	Gross Square Feet	Developer	Owner	Phase
Childcare Center On-Site Mgmnt Offices Teen/Computer Center Community Room & Kitchen	3,500 1,500 4,200 3,000	North Beach Development Associates	North Beach Housing Associates, A California Limited Partnership	Single Phase
Commercial Component (w. Resident Bus. Incubator)	21,500	North Beach Development Associates	North Beach Retail Associates	Single Phase

III. Key Milestones for the Project

Purpose: To ascertain where the PHA is in the development process with regard to its program schedule and the schedule requirements of the Grant Agreement.

Instructions: Complete the following table by listing the dates (actual or anticipated, as appropriate) for the listed project milestones.

Milestone	Date
Effective Date of Grant Agreement	07/15/97
Date of HUD Approval of the Revitalization Plan or Supplemental Submissions	06/28/99
Residential Construction Start (First Phase)	10/16/02
Residential Construction Completion (Final Phase)	11/30/04
Lease-Up (Final Phase)	08/30/05

IV. Project Sources and Uses

Purpose: To provide an overview of the permanent sources and uses for the entire project.

Instructions: Complete the Excel spreadsheet **Exhibit F Entire Project Budget** to describe the projected sources and uses for the entire project, including all rental, homeownership, and nonresidential phases.

C. Specific Phase Overview

Purpose of this section: To provide the information on phase components, budget, and schedule needed to review the business terms for the specific phase under review.

I. Proposed Unit Mix

Purpose: To describe the housing number, type, and bedroom count as required by 24 CFR 941.606(d).

Instructions: Complete the Excel spreadsheet **Unit Mix Phase** to describe the unit mix for the specific phase under review.

II. Non-Residential Uses

Purpose: To describe the types and amounts of non-dwelling space as required by 24 CFR 941.606(d).

Instructions: Complete the following table for the specific phase under review.

Building Name/Use(s)	Gross Square Feet	Developer	Owner
Childcare Center On-Site Mgmnt Offices Teen/Computer Center Tenants' Association Space	3,500 1,500 4,200 3,000	North Beach Development Associates	North Beach Housing Associates, A California Limited Partnership
Commercial Component (w. Resident Business Incubator)	21,500	North Beach Development Associates	North Beach Retail Associates

III. Key Milestones

Purpose: To provide HUD with the status of the phase, to establish the timeline for phase completion, and to identify which party is responsible for each activity for the phase under review.

Instructions: Complete the chart below for the specific phase under review. Indicate whether the activity listed is appropriate for the phase, provide a date for actual or anticipated dates of completion, and check the party responsible for the implementation of the activity. If a box is shaded, it is not applicable and does not need to be completed. Provide any comments in the Activity column.

Activity		Date	Responsible Party
Program Manager under Contract	☒ N/A		

Activity	Date	Responsible Party
Predevelopment Agreement Signed ☐ N/A Initial Pre-Development Loan Agreement: 12/15/99 Loan Agreement Amended 10/01	10/22/01	Agreement executed between SFHA and North Beach Development Associates
Development Agreement Signed ☐ N/A (Development & Disposition Agreement)	03/12/02	Agreement executed between SFHA and North Beach Development Associates
Community and Supportive Services Oversight ☐ N/A	Ongoing	☒ PHA Staff or Consultants ☐ Developer ☐ Other:
Site Acquisition Proposal Approval from HUD ☒ N/A No Acquisition; Development on Former PH Site		☐ PHA Staff or Consultants ☐ Developer ☐ Other:
Acquisition/Site Control ☒ N/A No Acquisition; Development on Former PH Site		☐ PHA Staff or Consultants ☐ Developer ☐ Other:
Demolition Approval from HUD ☐ N/A	11/08/96	☒ PHA Staff or Consultants ☐ Developer ☐ Other:
Disposition Approval from HUD ☐ N/A	06/06/02	☒ PHA Staff or Consultants ☐ Developer ☐ Other:
Relocation Plan Approval from HUD ☐ N/A Approval of Revised Relocation Plan	05/14/02	☒ PHA Staff or Consultants ☐ Developer ☐ Other:
Relocation Completion ☐ N/A	10/02/02	☒ PHA Staff or Consultants ☐ Developer ☐ Other:
Abatement and Demolition Completion ☐ N/A East block demolished; west block projected 2/03	02/15/03	☐ PHA Staff or Consultants ☒ Developer ☐ Other:
LIHTC Application Submission ☐ N/A	03/26/02	☐ PHA Staff or Consultants ☒ Developer ☐ Other:
Award of LIHTC Allocation ☐ N/A	05/29/02	☐ PHA Staff or Consultants ☒ Developer ☐ Other:
Environmental Review from HUD & ROF Stmt ☐ N/A	10/23/01	☐ PHA Staff or Consultants ☒ Developer ☐ Other:
Closing ☐ N/A	10/28/02	☐ PHA Staff or Consultants ☒ Developer ☐ Other:

Activity		Date	Responsible Party
Infrastructure Construction Start	☐ N/A	10/16/02	☐ PHA Staff or Consultants ☒ Developer ☐ Other:
Residential Construction Start	☐ N/A	10/16/02	☐ PHA Staff or Consultants ☒ Developer ☐ Other:
Residential Construction Completion	☐ N/A	11/30/04	☐ PHA Staff or Consultants ☒ Developer ☐ Other:
Lease-Up	☐ N/A	08/30/05	☐ PHA Staff or Consultants ☒ Developer ☐ Other:

IV. Ownership

Purpose: To provide HUD with a list of the partners of the ownership entity (i.e., general partner, limited partner, special limited partner, etc.) and a description of each role as required by 24 CFR 941.606(a).

Instructions: Complete the following table to list the proposed partners of the ownership entity and to describe their ownership interest and function for the specific phase under review.

Proposed Partner 1:	**North Beach Housing Inc.** **("NBHI")** **Single-purpose nonprofit; directors appointed by BRIDGE Housing Corp (3) and SFHA (2)**	**% Interest:**	**0.0050%**
Function(s) Exercised:	Special limited partner during construction and sole general partner upon completion of construction and attainment of 501(c)(3) status.		

Proposed Partner 2:	**BRIDGE Housing Ventures, Inc.** **("BHVI")** **California nonprofit public benefit corporation**	**% Interest:**	**0.0025%** **(during const'n)**
Function(s) Exercised:	Managing general partner until such time as NBHI becomes sole general partner. Upon NBHI's assumption of sole general partner role, BHVI will withdraw from the partnership and its percent interest will be assigned to NBCA.		

Proposed Partner3:	**North Beach Development Associates ("NBDA")** **California nonprofit public benefit corporation**	% Interest:	0.0025% (during const'n)
Function(s) Exercised:	Special limited partner until such time as NBHI becomes sole general partner. NBDA will provide completion guarantees and exercise control over certain key decisions. Upon NBHI's assumption of sole general partner role, NBDA will withdraw from the partnership and its percent interest will be assigned to NBCA.		

Proposed Partner 4:	**North Beach Community Associates ("NBCA")** **Single-purpose LLC; Five Members are appointed by SFHA (2 members) and one member each from each of the three guarantors, BRIDGE Housing Corporation, The John Stewart Company, and Em Johnson Interest, Inc.**	% Interest:	0.0050% (after const'n Comp & w/d of NBDA and BHV)
Function(s) Exercised:	Special limited partner at time NBHI becomes sole general partner, will exercise control over certain key decisions.		

Proposed Partner 5:	**Affiliate of Related Capital Company** **Investor limited partner**	% Interest:	99.9800%
Function(s) Exercised:	Contributes capital for development.		

Proposed Partner 6:	**Affiliate of Related Capital Company** **Special limited partner**	% Interest:	0.0100%
Function(s) Exercised:	Can remove general partner in case of default.		

V. Sources and Uses

Purpose: To provide an understanding of the sources and uses as required by 24 CFR 941.606(b) for the specific phase under review. HUD will be evaluating: whether the sources listed are sufficient to build the project, considering timing of sources; which sources are construction (temporary) vs. permanent; the terms of loans; the terms of grants; whether the public housing funds are bearing the appropriate pro rata share; and whether the uses appear reasonable.

Instructions: Complete the Excel spreadsheet **Exhibit F-1 Phase Budget** to describe the sources and uses for the specific phase under review. Complete both permanent and construction sources and uses.

VI. TDC Calculation

Purpose: To determine whether the proposed activities for the phase under review are within HUD's Total Development Cost Limits. For information on TDC, see Notice PIH 2001-22 and refer to 24 CFR 941.606(g).

Instructions: Complete the Excel spreadsheet **TDC & Instructions** to calculate the TDC for the specific phase under review.

D. Business Terms

Purpose of this section: To evaluate whether the business terms proposed constitute an appropriate use of public funds. HUD will evaluate the costs of the project against its Cost Control and Safe Harbor standards in light of the risks taken by the developer and PHA. To determine whether the phase meets HUD's cost guidelines and to evaluate the risks associated with the phase, PHAs should refer to the February 23, 2000 Cost Control and Safe Harbor Standards for Rental Mixed-Finance Development. These guidelines are available on the HUD web page at: http://www.hud.gov/pih/programs/ph/hope6/control.pdf.

I. Developer Compensation

Instructions: Provide the following information for the net developer fee as defined in the Cost Control and Safe Harbor Standards for the specific phase under review. Express all fee amounts as a percentage of the overall project costs. HUD will verify the stated percentages against the provided sources and uses. If necessary, provide a justification for any term(s) above the HUD Safe Harbor Standards.

Net developer fee for the specific phase under review: 2.66%

Is the developer receiving any compensation negotiated separately from the developer fee? ☒ Yes ☐ No

If so, in the following table, list any other tasks for which the Developer is being compensated (e.g., master planning, relocation, CSS, etc.) and the amount of compensation.

Task	Compensation
Rental Development Fee (in 2.66% above)	$ 1,560,000
Manage demolition under a Pre-construction Services Agreement (in 2.66% above)	$ 500,000
Pre-paid management fee (in 2.66% above)	$ 440,000
Commercial component developer fee (**not in this phase/no HOPE VI funding)	$ 715,000
Additional Revitalization Services (**payable from project savings or forgiven)	$0 - $1,000,000

Justification for Developer Fees above Safe Harbor Standards:

NA

II. Pay-Out Schedule for Developer Fee/Overhead

Instructions: For the specific phase under review, provide the milestone at which the developer receives compensation (e.g., closing, 50% construction completion, stabilized occupancy) and the percentage of the total developer fee that is to be paid (percentages should total 100%) as defined in the Cost Control and Safe Harbor Standards. If the Developer is being reimbursed for overhead prior to closing, provide a justification in the space below the table and confirm that the compensation is structured as a loan.

Milestone	% of Total Developer Fee
Closing	50%
Construction Completion	25%
Stabilized Occupancy	25%

Justification for deviating from the Safe Harbor Standard (if applicable):

NA

Justification for providing a loan to the developer prior to closing (if applicable):

The San Francisco Housing Authority has extended a pre-development loan to North Beach Development Associates for 100% of agreed upon third party expenses and a portion of NBDA's developer overhead. All amounts advanced under this pre-development loan will be fully repaid at closing or recognized as an advance on the HOPE VI loan being made by SFHA to the residential partnership. This pre-development arrangement has been approved by HUD and has been justified by the extremely long pre-development period and the small percentage of developer fee for the project.

III. Sharing of Third-Party Predevelopment Costs and Reimbursement Schedule

Instructions: Complete the following table for the specific phase under review. For each of the primary predevelopment costs indicate the percentages to be borne by the PHA and the developer. If necessary, provide a justification for any term(s) above the HUD Safe Harbor Standards.

Estimated Amount of Predevelopment Costs:	$ 5.2 million
Length of Predevelopment Period:	60 Months
Percentage Borne by PHA:	100%
Percentage Borne by Developer:	0%

Justification for PHA bearing greater than 75% of the predevelopment costs (if applicable):

The San Francisco Housing Authority has extended a pre-development loan to North Beach Development Associates for 100% of agreed upon third party expenses and a portion of NBDA's developer overhead. All amounts advanced under this pre-development loan will be fully repaid at closing or recognized as an advance on the HOPE VI loan being made by SFHA to the residential partnership. This pre-development arrangement has been approved by HUD and has been justified by the extremely long pre-development period and the small percentage of developer fee for the project.

IV. Identity of Interest Parties

Instructions: In the table below, disclose whether the Developer has an identity of interest with any party. For each identity of interest party, indicate what steps have been or will be taken to ensure cost competitiveness.

Party	Related Entity?	Cost Control Measures Planned/Completed
Builder/Contractor (waiver required from HUD)	☐ Yes ☒ No	
Property Manager	☒ Yes ☐ No	Pre-negotiated management fee, reviewed by PHA as part of negotiated operating budget; annual contract
Construction Manager	☐ Yes ☒ No	
Investor*	☐ Yes ☒ No	
Other (specify):	☐ Yes ☒ No	

*Include both related entities and "preferred" entities.

V. Construction Fees

Instructions: Fill in the following blanks to indicate the amount and percentage for contractor profit, overhead, and general conditions for the specific phase under review. In the space below, describe how any construction savings will be allocated between the PHA and Developer. If necessary, provide a justification for any term(s) above the HUD Safe Harbor Standards.

The amount and percentage for contractor's overhead & profit:	$2,446,517 = 4.31%
The amount and percentage for contractor's overhead:	Included above
The amount and percentage for contractor's general conditions:	$ 5,251,860 = 9.26 %

Justification for fees in excess of HUD Safe Harbor Standards (if applicable):

At present the aggregate overhead, profit, and general conditions conform to HUD's overall cap of 14% (sum of 6% + 2% + 6%), but differences between the accounting system of the general contractor and HUD's classification system mean that the fees do not conform to the 6%/2%/6% sub-limits. These numbers will be recategorized using the HUD system and the final guaranteed maximum price contract will conform to the sub-limit requirements of the Safe Harbor Standards.

Methodology for allocating construction savings:

All construction savings achieved by the general contractor will be returned by the general contractor to the housing partnership. All project savings achieved by the housing partnership will be returned to SFHA and the Mayor's Office of Housing in percentages still being negotiated between the two public funders.

VI. Property Management Fees

Instructions: Indicate whether the PHA or an outside firm will manage the development. In the table below, check the applicable methodology for determining property management fees and indicate the amount of the proposed fee. Describe the amount of any incentive management fee(s) and the conditions under which they are paid. If necessary, provide a justification for any term(s) above the HUD Safe Harbor Standards.

Who is managing the mixed-finance development? ☐ PHA ☒ Private firm ☐ Joint Venture (PHA/private)

The John Stewart Company will manage the development. The John Stewart Company and North Beach Development Associates have agreed to use SFHA's skilled trades personnel for maintenance of the public housing replacement units within the new development.

Method and Amount of Property Management Compensation

☐	%	of effective gross income
☒	$151,404	PUM (all units) $37/unit/month

☐ $ PUM (occupied units) and $ PUM (vacant units)

☐ Other (specify):

Justification for property management fees in excess of HUD's Safe Harbor Standards, if applicable, supported by a regional market analysis:

N/A

Are there any incentive property management fees? ☐Yes ☒No

If yes, describe:

VII. LIHTC Equity

Instructions: If LIHTC are a funding source for this phase, provide the following information.

What is the amount of the equity raise (cents on the dollar for 10-year allocation): 86.3¢

Federal Credits = $3,850,000 x 10 = $38,500,000
State Credits = $17,152,000
Total Credits = $38,500,000 + $17,152,000 = $55,652,150
Total Equity = $48,005,000
Cent on Dollar Equity Raise = $48,005,000 / $55652,150 = $0.863

Describe the pay-in schedule for the equity:

Milestone/Anticipated Date	Amount
Admission of investor to partnership (10/02)	$2,400,000
3rd quarter of construction (4/03)	$4,751,350
4th quarter of construction (7/03)	$3,505,760
Rental Achievement (11/05)	$33,947,640
Issuance of form 8609 (12/05)	$1,000,000
Final Payment (07/06)	$2,400,250
Total Equity Contribution	$48,005,000

VIII. Allocation of Operating Subsidy

Instructions: Indicate which of the following methodologies for allocating operating subsidy from the PHA to the owner entity will be used, and the estimated amount of operating subsidy to be provided on a per-unit per month basis. (For more information on these methodologies,

refer to the Mixed-Finance Guidebook, Chapter 5.) In the space below, provide a narrative that describes the methodology for allocating operating subsidy, as required by 24 CFR 941.606(c).

☒	Prorata-share (based on number of units and bedroom sizes in phase compared to PHA portfolio overall)	$	PUM
☐	Budget Based (based on actual gap between operating costs and rental income)	$	PUM
☐	Negotiated (flat negotiated fee)	$	PUM
☐	Separate ACC	$	PUM
☐	Other (describe):	$	PUM

Description of Operating Subsidy Methodology:

SFHA intends to enter into a Regulatory and Operating Agreement with North Beach Housing Associates to provide operating assistance to the 138 mixed finance public housing units ("PHA-Assisted Units") in the development. The amount of operating assistance from SFHA to the development is intended to equal the amount of subsidy provided by HUD to the Authority that is properly attributable to and required by the 138 PHA-Assisted Units, minus an agreed-upon amount to compensate the Authority for its actual and reasonable costs of asset management (the "Authority Oversight Fee").

On an annual basis, SFHA will provide operating subsidy payments equal to the least of the following three amounts:

(1) 91% of AEL (i) multiplied times the number of PHA-Assisted Units in the Development, (ii) multiplied by twelve, (iii) plus the amount of PHA-Assisted Utilities Expenses, (iv) minus PHA-Assisted Units Rental Income; or

(2) 95% of Funded AEL, as defined below (i) multiplied times the number of PHA-Assisted Units in the Development, (ii) multiplied by twelve, (iii) plus the amount of PHA-Assisted Utilities Expenses, incurred in such year (iv) minus PHA-Assisted Units Rental Income; or

(3) PHA-Assisted Units Expenses, (i) plus PHA-Assisted Utilities Expenses incurred in such year, (ii) minus PHA-Assisted Units Rental Income.

"Funded AEL" means the Authority's AEL minus the per-unit dollar amount of the Authority's operating subsidy entitlement which HUD does not fund in such year, as currently stated on line F-07 of Form 52723 (1/001). "PHA-Assisted Utilities Expenses" in any period is the total of actual expenses incurred during such period by the Development (and not by any tenant) for water, fuel oil, gas and electricity, multiplied by the Authority Percentage.

IX. Size and Use of Reserves

Instructions: In the following table, for each of the project reserves indicate its size (as a dollar amount or as a number of months or years of ACC), how the reserve is replenished, the conditions under which it can be accessed, and ownership of the reserve.

NOTE: Public housing funds can not be used for the initial funding of reserves. Submission of the Rental Term Sheet constitutes certification that the reserves are not funded with public housing funds. In addition, HUD expects all reserves that are replenished by public housing funds to remain with the project at the end of the tax-credit compliance period. If this is not the case for any of the reserves (with the exception of the exit tax reserve, which cannot be established or replenished with public housing funds), provide a justification for the alternate reserve ownership where indicated.

Type of Reserve: **ACC/Affordability (138 units supported by ACC)**	Size: $975,000
How is the reserve capitalized?	Non-HOPE VI funds
How is the reserve replenished?	Under most circumstances, it will not be replenished. Under the Regulatory and Operating agreement, SFHA can elect to make deposits to the account to avert transformation of ACC units.
When can the reserve be accessed?	When ACC payments are less than SHFA's operating subsidy commitment (Agreed upon % of AEL less tenant paid rent plus utilities)
Who owns the reserve?	San Francisco Housing Authority

Type of Reserve: **Operating Deficit (229 PHA replacement units, which include the 138 ACC units)**	Size: $1,273,498
How is the reserve capitalized?	Non-HOPE VI funds
How is the reserve replenished?	It is not.
When can the reserve be accessed?	Except for ACC shortfalls (funded above), used when operating expenses for all replacement units exceed income from those units.
Who owns the reserve?	Partnership

Type of Reserve: **Other: Operating Deficit (112 non-replacement units)**	Size: $409,253
How is the reserve capitalized?	Non- HOPE VI funds
How is the reserve replenished?	From project income, but only to the extent needed so that total reserve funds equal 25% of the past year's operating costs.
When can the reserve be accessed?	When the revenues from non-replacement units fall below operating cost of those units.
Who owns the reserve?	Partnership

Type of Reserve: **Replacement**	Size: $120,000

How is the reserve capitalized?	Non-HOPE VI funds
How is the reserve replenished?	From regular scheduled deposits of project income
When can the reserve be accessed?	When building system replacement is required
Who owns the reserve?	Partnership

Type of Reserve: **Other: Initial Operating Deficit (138 ACC units)**	Size: $200,000
How is the reserve capitalized?	Non- HOPE VI funds
How is the reserve replenished?	It is not.
When can the reserve be accessed?	Used to support operation of ACC units prior to EIOP and commencement of operating subsidy payments.
Who owns the reserve?	San Francisco Housing Authority

Type of Reserve: **Other: Housing Authority Performance Reserve**	Size: $1,100,000
How is the reserve capitalized?	Non - HOPE VI funds through Ground Lease Payment
How is the reserve replenished?	It is not.
When can the reserve be accessed?	This reserve will be used to cover any loss of income or penalties related to delays in leasing up ACC or Section 8 units beyond the eight months currently scheduled to be required for leaseup of the project, to the extent such delays were caused by the action of SFHA.
Who owns the reserve?	San Francisco Housing Authority (See Section X below.)

Provide a justification for any unusual reserve structures, including ownership of the reserves:

N/A

X. Cash Flow, Program Income, and Fees to the PHA

Instructions: Answer the following questions in narrative form for the specific phase under review, as appropriate.

After payment of all expenses, how is cash flow distributed?

For the SFHA replacement units that do not receive any operating subsidy through the ACC (those units supported by the Section 8), 70% to PHA in the form of combined Ground Lease and Loan repayments; 30% to the Guarantors.

For the 112 units sponsored by the San Francisco Mayor's Office of Housing (MOH), 67% to MOH as a subordinate lender as loan repayment; 33% to the Guarantors.

What are the expected sources of program income (e.g., repayments of loans, PHA development fees, etc.) and what is the PHA's planned use for this program income?

SFHA is not expecting to receive a developer fee or any other fees in conjunction with the North Beach Place project. It will receive program income from the following sources:

- A $1.1 million ground lease payment, to be placed in a Housing Authority Performance Reserve. This reserve will be used to cover any loss of income or penalties related to delays in leasing up ACC or Section 8 units beyond the eight months currently scheduled to be required for leaseup of the project, to the extent such delays were caused by the action of SFHA. If not drawn down to cover such costs, the $1.1 million will become program income.
- Any ground lease payments that will be paid to SFHA, if residual receipts exist.
- Repayment of the HOPE VI loan to SFHA, if residual receipts exist.

Any program income generated by North Beach Place will be governed by a Program Income Certification signed by SFHA. The Program Income Agreement will state that program income will be spent first to meet any cost overruns on this project and then on other costs allowed under QHWRA and Section 9 of the U.S. Housing Act.

Complete the following table to indicate what fees (e.g., developer fee, asset management fee, property management fee, etc.) are to be paid to the PHA/PHA Affiliate.

Type of Fee/Description	Amount
	$
	$
	$

XI. Additional Information on the Project

Instructions: In narrative form, provide any additional information on the project and business terms of which HUD should be aware when reviewing the terms for this phase. Such issues might include:

- unusual programs or fee structures HUD will need to evaluate;
- justifications for any fees or structures proposed outside of HUD's Safe Harbor or Cost Control limitations;
- effect of a consent decree on the mixed-finance project;
- market concerns;
- use of Capital Funds as bridge loan; and/or
- other circumstances that will result in unusual terms or the need for a delayed or accelerated closing.

Narrative on additional project/phase information:

The allocation of low income housing tax credits obtained in May 2002 requires that Certificates of Occupancy be obtained for all residential buildings by the end of December 2004. The construction schedule of 26 months required the commencement of construction no

later than October, and the Mayor's Office of Housing committed $3 million of its $10 million loan to fund construction in advance of the closing of other financing sources. These finds will be consumed shortly, so time is of the essence to complete the remaining approvals, execute documents, and close all construction financing.

Grantee: San Francisco Housing Authority (North Beach Place HOPE VI Revitaliation)
(138) Public Housing Rental Units; (203) Tax Credit Units; (0) Market Units; (0) For-Sale Units

EXHIBIT F-1

SUMMARY BUDGET ENTIRE PROJECT (PERMANENT)

	Public Hsg Funds	Private Funds	Other Public Funds	Total Funds
A. Proposal: Development Sources				
HOPE VI Revitalization Funds	14,488,417			14,488,417
Tax Credit Equity		48,005,000		48,005,000
First Mortgage		19,631,968		19,631,968
City of SF - Mayor's Office of Housing			10,000,000	10,000,000
Federal Home Loan Bank Aff. Hsg. Funds			1,000,000	1,000,000
Developer Equity		4,801		4,801
Bridge Loan				-
Other City Funds				-
Other:				-
Other:				-
Subtotal Development Sources	$ 14,488,417	$ 67,641,769	$ 11,000,000	$ 93,130,186
B. Additional Project Sources				
HOPE VI Revitalization Funds	5,511,583			5,511,583
HOPE VI Demolition Funds	3,240,445			3,240,445
Subtotal Additional Project Sources	$ 8,752,028	$ -	$ -	$ 8,752,028
TOTAL SOURCES (A & B)	$ 23,240,445	$ 67,641,769	$ 11,000,000	$ 101,882,214

Grantee: San Francisco Housing Authority (North Beach Place HOPE VI Revitaliation)
(138) Public Housing Rental Units; (203) Tax Credit Units; (0) Market Units; (0) For-Sale Units

EXHIBIT F-1

SUMMARY BUDGET ENTIRE PROJECT (PERMANENT)

	Public Hsg Funds	Private Funds	Other Public Funds	Total Funds	BLI
A. Proposal: Development Uses					
Construction Costs:					
Site Prep			2,992,334	2,992,334	1450
Off-Site Construction		1,287,297		1,287,297	1450
Residential Unit Construction	7,051,420	32,674,851	8,007,666	47,733,937	1460
Community Facilities		914,300		914,300	1470
Furnishing/Equipment (units)		682,000		682,000	1465
Parking Podium (for residential parking)		3,137,954		3,137,954	1470
General Conditions/Bonds/Taxes		5,256,395		5,256,395	1430
Gross Receipts Tax		120,000		120,000	1430
Insurance		920,000		920,000	1430
Builder Fee		2,448,280		2,448,280	1450
Contingency		5,139,937		5,139,937	1460
Subtotal	$ 7,051,420	$ 52,581,014	$ 11,000,000	$ 70,632,434	
Development Fees:					
Architects/Engineering	2,945,000			2,945,000	1430
Design Oversight/Resident Involvement	503,500			503,500	1430
Permits & Fees	852,574			852,574	1430
Utility Connection Charges	323,000			323,000	1430
Permanent Loan Fees	319,480			319,480	1430
Legal	375,500			375,500	1430
Financial Consultants/ Syndication	85,500			85,500	1430
Tax Credit Fees	294,170			294,170	1430
Title & Recording Fees	185,000			185,000	1440
Entitlements	207,100			207,100	1430
Pre-Construction Svcs. Agmt Fee	475,000			475,000	1430
Soft Cost Contingency	871,173			871,173	1430
Construction Loan Fees		324,454		324,454	NA
First Mortgage Construction Interest		2,462,534		2,462,534	NA
Insurance During Construction		1,187,500		1,187,500	1430
Utilities Expense During Pre-Development		9,500		9,500	1430
Construction Management		574,750		574,750	1430
Auditing		20,000		20,000	1430
Special Inspections		142,500		142,500	1430
Lease-Up Interest & Expenses		2,068,383		2,068,383	NA
Initial Operating Period Reserve		200,000		200,000	1430
Operating Subsidy Reserve		975,000		975,000	NA
Operating Deficit Reserve (PHA)		1,273,498		1,273,498	NA
Operating Deficit Reserve (City)		409,253		409,253	NA
Capitalized Replacement Reserve		120,000		120,000	NA
Project Marketing		196,874		196,874	NA
Pre-Paid Management Fee		440,000		440,000	NA
Furnishings for Community Spaces		100,000		100,000	1475
Fit-Up Budget		100,000		100,000	1475
Development Contingency		1,796,509		1,796,509	1430
Developer's Fee		1,560,000		1,560,000	1430
Acquisition		1,100,000		1,100,000	1440
Other:				-	
Subtotal	$ 7,436,997	$ 15,060,755	$ -	$ 22,497,752	
Total Project Development Costs (Proposal)	$ 14,488,417	$ 67,641,769	$ 11,000,000	$ 93,130,186	
	$ -	$ -	$ -	$ -	

Grantee: San Francisco Housing Authority (North Beach Place HOPE VI Revitaliation)
(138) Public Housing Rental Units; (203) Tax Credit Units; (0) Market Units; (0) For-Sale Units
EXHIBIT F-1
SUMMARY BUDGET ENTIRE PROJECT (PERMANENT)

	Public Hsg Funds	Private Funds	Other Public Funds	Total Funds	
B. Additional Project Uses					
Community & Supportive Services	1,145,000			1,145,000	1408
Management Improvements	311,674			311,674	1408
Housing Authority Administration	1,658,509			1,658,509	1410
Fees & Costs	666,400			666,400	1430
Non-Dwelling Equipment	30,000			30,000	1470
Demolition & Remediation	3,240,445			3,240,445	1485
Relocation	1,700,000			1,700,000	1495
Total Additional Uses	$ 8,752,028	$ -	$ -	$ 8,752,028	
TOTAL PROJECT USES (A & B)	$ 23,240,445	$ 67,641,769	$ 11,000,000	$ 101,882,214	

DOCUMENTS DEPT.
DEC 18 2002
SAN FRANCISCO
PUBLIC LIBRARY

MIXED-FINANCE AMENDMENT TO CONSOLIDATED ANNUAL CONTRIBUTIONS CONTRACT

Section 1. This Mixed-Finance ACC Amendment to Consolidated Annual Contributions Contract ("Mixed Finance ACC Amendment") covers the project identified below (herein referred to as "the Project" or "the Mixed-Finance Project"): _____[insert]_____ .

Funding derived from the following Development Grant Project Number, Modernization Grant Project Number and/or HOPE VI Grant Agreement Number is dedicated for use in implementing the Project in accordance with this Mixed Finance ACC Amendment:

(A) Development Grant Project Number: _____; or

(B) Modernization Grant Project Number (for modernization funds approved for use for development purposes):
_____; or

(C) HOPE VI Grant Agreement No. _____.

Section 2. This Mixed-Finance ACC Amendment is an amendment to Consolidated Annual Contributions Contract (ACC) (Form HUD-53012A and Form HUD-53012B) Number: _____, dated _____, as Amendment Number _____.

Section 3. The ACC is amended to provide grant assistance for the Project identified in Section 1 and/or to add the Project Units (as defined in Section 4(I) of this Mixed-Finance ACC Amendment) to the ACC. This Mixed-Finance Amendment is part of the ACC and incorporates Exhibits A-G, which are attached hereto.

Section 4. The following provisions are applicable to the Project:

(A) Date of Development/Modernization Project grant reservation:
_____.

(B) Date of HOPE VI Grant Agreement obligation: _____.

(C) Number of Project Units to be developed: ___.

(D) Housing Type: _____.

(E)(1) For projects to be developed using development grant funds, or modernization funds approved for conversion to development purposes, the Maximum Total Development Cost

(Development Grant Authority) of the Project is:_____.

(2) For projects to be developed using HOPE VI grant funds, the approved Total Development Cost of the Project is: ___.

(F) The Project Units will be (check one): [designated units _____]; [undesignated units ___] in the mixed-finance development.

(G) The Project Units are (check one): [eligible _____]; [ineligible _____] to receive public housing Operating Fund assistance ("Operating Fund assistance") under section 9 of the United States Housing Act of 1937 ("the Act"). If some or all of the units are eligible to receive Operating Fund assistance, specify the number of eligible units (including the number of bedrooms per unit) that will be eligible to receive such assistance: ___units; containing___ bedrooms.

(H) The Project Units shall be ineligible to receive modernization assistance unless the housing authority executes a project-specific ACC modernization amendment in connection with the Projects Units.

(I) The definitions set forth in 24 CFR part 941, subpart F, are applicable to this Mixed-Finance ACC Amendment.

(J) As used in this Mixed-Finance ACC Amendment, the term "Development" shall refer to the entire housing facility, containing ____ dwelling units, being developed using a mixed-finance strategy, and the term "Project," as used herein and as used in the ACC with respect to Project Number _____, shall refer only to the ____ units of the Development (containing ___ bedrooms) which shall be developed and continuously set aside, operated, and maintained as public housing units (the "Project Units"). Nothing contained herein shall be construed as requiring that any dwelling units included in the Development shall at any time be maintained and operated in accordance with the ACC, or to constitute part of a "project" as defined in the ACC, other than the units contained therein constituting from time to time the Project Units.

Section 5 - HA certifications and assurances.

(A) By executing this Mixed-Finance ACC Amendment, the public housing agency (the "HA") certifies to HUD and, as applicable, agrees that:

(1) it has the legal authority under State and local law to develop public housing units through the establishment or selection of an owner entity, and to enter into all agreements and provide all assurances required under 24 CFR part 941, the HUD-approved proposal, and this Mixed-Finance ACC Amendment. The HA also warrants that it has the legal authority under State and local law to enter into any proposed partnership and to fulfill its obligations as a partner thereunder, and that it has obtained all necessary approvals for this purpose;

(2)(i) it will ensure that the Development is developed in accordance with the mixed-finance proposal submitted by the HA (and approved by HUD; the "Proposal") and this Mixed-Finance ACC Amendment (including all exhibits), and that the Project Units are developed in accordance with the ACC (except that any requirement set forth in the ACC is superseded by a modified requirement set forth in this Mixed-Finance ACC Amendment), and all statutes, executive orders and regulations applicable to the development of mixed-finance public housing units, as such requirements now exist or as they may be enacted, promulgated, or amended from time to time.

(ii) if the Project Units are to be developed using HOPE VI funds, the HA agrees that, in addition to the requirements set forth in subparagraph (i), it also will comply with any applicable requirements set forth in the HOPE VI grant agreement, the approved Revitalization Plan, and any statutes, executive orders and regulations applicable to the HOPE VI program, as such requirements now exist or as they may be enacted, promulgated, or amended from time to time.

(3) it will ensure that the requirements for admission to, continued occupancy of, management, and modernization of the Project Units are in accordance with all requirements applicable to public housing, as set forth in the ACC (except that any requirement set forth in the ACC shall be superseded by a modified requirement set forth in this Mixed-Finance ACC Amendment or the HOPE VI grant agreement, if applicable), and all statutes, executive orders and regulations applicable to public housing units (except any such requirements as are expressly excluded from applicability to public housing units contained in mixed-finance developments), as such requirements now exist or as they may be enacted, promulgated, or amended from time to time; provided, however, that if HUD shall, by regulation alone, modify the eligibility standards for occupancy of public housing units, the criteria or methods for calculation of tenant income or rental payments, or any other factor bearing upon the charges for or occupancy or use of public housing units generally, which modification would be adverse to the Development, the HA (on behalf of the owner entity) may request a waiver from such regulation, which will not be unreasonably withheld so long as the owner entity has demonstrated good cause (as required by regulation) for such waiver.

(4) there is no action, proceeding, or investigation now pending, nor any basis therefor, known or believed to exist by the HA, which: (i) questions the validity of this Mixed-Finance ACC Amendment, or any action taken, or to be taken, under it, or; (ii) is likely to result in any materially adverse change in the authorities, properties, liabilities, or condition (financial or otherwise) of the HA or the Proposal, or of any participating party, that would materially or substantially impair the HA's or such participating party's ability to perform any of the obligations imposed upon it under the Proposal and this Mixed-Finance ACC Amendment;

(5) it has obtained all Federal, State, and local government approvals and reviews required by law, or reasonably required by HUD, to be obtained by the HA for commencement of the activities set forth in the Proposal, and all participating parties have obtained all such approvals and reviews required to be obtained by the participating parties for commencement of

such activities.

(6) it will immediately notify HUD of (i) any material change in any representations, statements, certifications or other matters contained in the HA's Proposal, this Mixed-Finance ACC Amendment, and/or the HOPE VI Revitalization Plan (if applicable), and (ii) any default of which it has notice under any agreement submitted to HUD as part of the evidentiary materials hereunder.

(7) it will use its best efforts to assure the performance of all HA, owner entity, and participating party(ies) obligations under this Mixed-Finance ACC Amendment in accordance with the timeframes established in the development schedule attached hereto as Exhibit D.

(8)(i) The HA hereby acknowledges that HUD has approved the Proposal in reliance upon the HA's representations that the HA, the partner(s), the owner entity(ies), and other participating parties will, and the HA hereby further agrees that it will, or will cause the participating parties to:

(a) carry out the activities ascribed to them in accordance with the Proposal and approved implementing documents (as summarized in Exhibit B hereto);

(b) complete those activities in accordance with the schedule set forth in Exhibit D, including the development of the Project Units;

(c) have (or will have when necessary to implement their activities in accordance with the Proposal), the financial capacity to assure carrying out the activities to their completion;

(d) invest or cause to be invested in the activities described in the Proposal a specific amount of funds in addition to the public housing funds (or the HOPE VI funds, if applicable), in accordance with Exhibit F. HUD has also relied upon the HA's, the owner entity's, and the partner(s)'s representations that they and other participating parties, prior to the use of the public housing funds (or HOPE VI funds, if applicable) for the Proposal, will enter into legally binding agreements, as approved by HUD as part of the evidentiary material identified in Exhibit E to this Mixed-Finance ACC Amendment, evidencing the commitments of all parties necessary for completion of the Proposal, in compliance with the requirements of this Mixed-Finance ACC Amendment; and

(ii) the representations, statements, certifications and other matters contained in the Proposal were, to the best of the HA's information and belief, true and complete in all material respects as of the dates of submission of the Proposal to HUD (including the dates of any separate submissions for a specific phase), and upon the execution of this Mixed-Finance ACC Amendment and will continue to be true and complete in all material respects as of the date of any amendment to this Mixed-Finance ACC Amendment, except as modified by such amendment (and any corollary modification to the Proposal that the HA deems necessary);

(9) this Mixed-Finance ACC Amendment has been executed and delivered by the HA in such a manner and form as to comply with all applicable laws so as to make this Mixed-Finance ACC Amendment the valid and legally binding act and agreement of the HA; and

(10) it will use, or ensure the use of, program income during the grant period, in accordance with 24 CFR § 85.25, only for eligible program costs or other low-income housing purposes. The HA agrees that after the end of the award period, any gross income received by the HA or a subgrantee that was directly generated by a grant-supported activity (or earned only as the result of funding provided under Section 3 of this Mixed-Finance ACC Amendment), including, without limitation, principal and interest on loans made with grant funds, will be utilized solely for eligible program costs or other low-income housing purposes. This covenant will survive any termination of the grant and, at HUD's direction, may be incorporated into any documentation related to the closeout of the grant.

(B) The HA warrants that it will include, or cause to be included:

(1) in all its agreements or contracts with the partner, the owner entity, and/or other participating parties receiving public housing or HOPE VI grant funds an acknowledgement that a transfer of public housing or HOPE VI grant funds by the HA to the partner, the owner entity, or other participating party will not be (and shall not be deemed to be) an assignment of public housing or HOPE VI grant funds, and the partner, owner entity, or other participating party will not succeed to any rights or benefits of the HA under the ACC or this Mixed-Finance ACC Amendment, or the HOPE VI Grant Agreement, if applicable, or attain any privileges, authorities, interests, or rights in or under the ACC or this Mixed-Finance ACC Amendment, or the HOPE VI Grant Agreement, if applicable.

(2) in all its agreements or contracts with the partner, the owner entity, or other participating parties, and in all contracts with any party involving the use of public housing or HOPE VI grant funds, a provision that nothing contained in the ACC or this Mixed-Finance ACC Amendment, or the HOPE VI Grant Agreement, if applicable, nor in any agreement or contract between the parties, nor any act of HUD, the HA, or any of the parties, will be deemed or construed to create any relationship of third-party beneficiary, principal and agent, limited or general partnership, joint venture, or any association or relationship involving HUD; provided, however, that the mortgagee under the first mortgage or deed to secure debt and note secured thereby, as said documents are more specifically identified in Exhibit E hereto (respectively, referred to herein as the "First Mortgage" and "Note") shall be entitled to rely upon Section 11(C) and (D) of this Mixed-Finance ACC Amendment.

Section 6 - Evidentiary Materials.

(A) **Content**. The HA shall submit to HUD for review and approval the evidentiary materials specified in Exhibit E to this Mixed-Finance ACC Amendment. Such evidentiary

materials must be submitted in the form of legally binding and enforceable commitments of the parties to the Proposal to undertake and complete specified activities connected with the Proposal, as set forth below:

(1) **Evidence of Contracts**

Evidence of contractual commitments submitted to HUD must include all documents evidencing the contractual commitments, with an opinion of counsel attached (see paragraph (B)(2) of this section regarding the proper form for opinions of counsel).

(2) **Evidence of Loans, Closings, Bond Sales.**

(i) Evidence of a loan must be submitted in the form of copies of fully executed notes, deeds, bonds, indentures, loan agreements, and other documents, which must contain sufficient evidence (satisfactory to HUD) to enable HUD to determine: that the loan has been closed and the funds are irrevocably committed and immediately available to the borrower; the principal amount of the loan; its purposes (interim or permanent); and the authorized use of loan funds; the identity of the security for the loan; the term of the loan; the interest rate (and/or any other form of participation) under the loan; the repayment provisions; the default provisions; the identity of all parties to the loan; with an opinion of the owner entity's (and/or any other borrower's) counsel addressed to HUD in accordance with the requirements of paragraph (B)(2) of this section.

(ii) If bonds or limited partnership interests are sold to finance the Proposal, the evidence must include a statement from the trustee or depository of the proceeds certifying that the bonds or limited partnership interests have been sold and the amount of the proceeds that are available immediately for the implementation of the Proposal, and must have an opinion of the owner entity's (and/or any other borrower's) counsel addressed to HUD in accordance with paragraph (B)(2) of this section. In the event that any portion of the proceeds of the sale of the bonds or limited partnership interests are to be made available over an extended period, or for any other reason are not immediately available in accordance with the Proposal, evidence of "bridge financing" loan(s) in such amount (secured by pledges from the limited partners or in another manner which does not encumber the Project), or other evidence satisfactory to HUD, must be submitted as part of the evidentiary materials, in accordance with paragraph (1) of this section. Notwithstanding the foregoing, the requirement for bridge loan financing will be waived to the extent that such proceeds are necessary only to cover the payment of developer fees (provided that the receipt of such proceeds are timed to coincide with deferred payments to the developer for its fees).

(3) **Evidence of Other Financing and Funding Sources (including other Federal, State and Local Commitments)**.

(i) Whenever evidence is required in the form of a statement and opinion of counsel (or other party designated by HUD) that a participating party has irrevocably committed a specific

amount of finances to carry out the commitment of that participating party under the Proposal, such evidence must be in the form of an opinion of counsel or such other party designated by HUD, made in accordance with paragraph (B)(2) of this section.

(ii) The opinion of counsel (or other party designated by HUD) must certify that: such party has examined the availability of the participating party's financing, or other funding source; state the amount and the source of such financing or other funding committed by the participating party to the Proposal; and state that such financing or other funding has been irrevocably committed by the participating party for use in the Proposal and such commitment is in the amount required under the terms of the Proposal.

(4) **Evidence of Title.**

Evidence of fee simple or leasehold title to real property must be in the form of an original ALTA (or other form acceptable to HUD) policy of owner's or mortgagee's title insurance, which must identify the real property and the ownership interests of the HA, owner entity, and other participating parties (as appropriate) as the owners or lessees of record of such property. The title policy must also reflect that any instruments securing any private or public financing, including any loan of public housing funds (or HOPE VI funds, if applicable) have been recorded against the title, and that deed restrictions or covenants running with the land relating to the restrictions and requirements applicable to public housing units under this Mixed-Finance ACC Amendment have been recorded in full to assure that the restrictions and requirements will remain in effect for the period required by law and under this Mixed-Finance ACC Amendment and will survive all other interests.

(B) **Form of evidentiaries**.

(1) **Submissions**. All documentary evidence submitted to HUD must be in the form of either duplicate original(s) of the fully executed document(s), or photographic copies of the fully executed original of the document(s), unless otherwise specified, with a certification attached that the document is a true and complete copy of the original.

(2) **Opinions of counsel**.

(i) Counsel must opine to the following for each document submitted as evidentiary material under Exhibit E to this Mixed-Finance ACC Amendment:

(a) An examination of the authority of all parties to the documents and all persons executing the documents on behalf of the parties has been made and that the parties and said persons were authorized to enter into and execute the documents; and

(b) Each document constitutes a valid and legally enforceable agreement or contract under the laws of the HA's State and the commitments and/or agreements evidenced thereby can

be carried out in accordance with their terms under State and local law, and conform to the provisions of the Proposal approved by HUD and the requirements of this Mixed-Finance ACC Amendment, and that there is nothing in such document that conflicts with, or is inconsistent with, the requirements of this Mixed-Finance ACC Amendment.

(ii) Each opinion of counsel must be in writing and include the separate opinions of the HA's counsel and the owner entity's counsel, unless otherwise specified.

(iii) Counsel may rely upon the certification of other persons, or the written statements or opinions of other counsel, provided that a copy of each such certification, statement, or opinion must be attached to the opinion of that counsel.

(iv) If counsel predicates an opinion upon "information and belief," then in all such cases the counsel's opinion must contain, or have attached thereto, a statement or description of all of the information upon which the belief of counsel is predicated.

(C) **Amendment of approved evidentiaries.** After HUD has approved an evidentiary submitted in accordance with this Mixed Finance ACC Amendment, the evidentiary may not be amended in any material respect without the prior written approval of HUD.

(D) **Implementation in phases**. If Exhibit D contemplates implementation of the Proposal in phases, all of the evidentiary material for each phase must be delivered to HUD, in accordance with the provisions of this Mixed-Finance ACC Amendment, no later than the date specified in Exhibit D.

Section 7 - Draw down of Funds.

(A) The HA shall ensure that grant funds are expended only in accordance with the requirements set forth in this Mixed-Finance ACC Amendment and the approved budget set forth in Exhibit F to this Mixed-Finance ACC Amendment.

(B) In the event that funds in addition to those set forth in the budget(s) at Exhibit F are received from any source in connection with the Development, such excess funds may only be used, as approved by HUD in writing, for: (1) cost overruns; (2) additional betterments; or (3) other purposes for the benefit of the residents and/or the Development.

(C) Notwithstanding any contrary requirement set forth in 24 CFR §85.21, the HA shall request all draw downs of grant funds under the Line of Credit Control System - Voice Response System (LOCCS-VRS), unless and until another payment system is designated by HUD. The HA shall comply with all rules, guidelines and notices established for the public housing development program under the LOCCS-VRS system, or any substitute system, in connection with the draw down of public housing development funds (or HOPE VI funds, if applicable). If HUD designates an alternative payment system, it shall be based on 24 CFR §85.21.

(D) HUD may withhold payments under this Mixed-Finance ACC Amendment in accordance with 24 CFR §85.21(g), except that indebtedness of the HA to the United States which is not related to a Project under this Mixed-Finance ACC Amendment shall not be the basis for withholding payments under this Mixed-Finance ACC Amendment pursuant to § 85.21(g)(1)(ii).

(E) After HUD provides the HA with written notification that the evidentiaries have been reviewed and approved, the HA may request a draw down of grant funds pursuant to the approved budget in Exhibit F.

(F) The HA may utilize grant funds, in accordance with the budget under Exhibit F, for publication costs of reports or other media relating to Project accomplishments or results, which are allowable costs pursuant to OMB Circular A-87, Schedule B, paragraph 23).

(G) No grant funds may be drawn down under this Mixed-Finance ACC Amendment during any period in which the HA has failed to file with HUD any overdue financial report(s).

Section 8 - Covenant Against Disposition and Encumbrances.

With respect only to the Project under this Mixed-Finance ACC Amendment, Section 7 of the ACC is modified in its entirety to read as follows:

(A) Neither the Project Units nor any part thereof shall be demolished or disposed of, other than in accordance with the terms of this ACC and applicable statutory or regulatory requirements (subject to any waivers granted pursuant thereto), so long as this Mixed-Finance ACC Amendment remains in force with respect to the Project. With the exception of (i) the First Mortgage and any mortgage(s) held by the Authority which have been approved by HUD, (ii) dwelling leases with eligible families for the Project Units; and (iii) normal uses associated with the operation of the Project, neither the Project nor any portion thereof shall be encumbered in any way, nor the assets of the Project pledged as collateral for a loan, without the prior approval of HUD.

(B) If the Project Units are owned by an entity other than the HA, no transfer, conveyance, or assignment shall be made, without the approval of HUD, of (i) any interest of a managing member, general partner, or controlling stockholder (any such interest being referred to as a "Controlling Interest") in the owner entity, or (ii) a Controlling Interest in any entity which has a Controlling Interest in the owner entity, or (iii) prior to payment in full of all equity contributions described in the approved evidentiary documents, any other interest in the owner entity, or in any partner or member thereof. HUD agrees that it will not unreasonably withhold, delay, or condition a request by the owner entity for HUD's consent to an internal reorganization of the corporate or partnership structure of the owner entity or any of the partners, members or stockholders of the owner entity.

Section 9 - Declaration of Restrictive Covenant.

With respect only to the Project under this Mixed-Finance ACC Amendment, Section 8 of the ACC is modified in its entirety to read as follows:

If fee title to the Development is owned by an entity other than the HA, the HA shall require the owner entity to execute and file for record, prior to the recordation of any other encumbrance agreed to by the owner entity, a Declaration of Restrictive Covenant, in form approved by HUD, confirming and evidencing that the owner entity, during the term of the regulatory and operating agreement covering the Project Units and during such further period when such approval may be required by law as then in effect, shall maintain and operate the Project Units in compliance with the requirements of the ACC as modified by this Mixed-Finance ACC Amendment, the Act, and all regulations thereunder, including, without limitation, the restrictions against demolition or disposition of the Project Units, and of the interests in the owner entity, set forth in section 7 of the ACC, as modified by this Mixed-Finance ACC Amendment. Such Declaration of Restrictive Covenants shall provide further that it may not be modified, amended or released without the written approval of HUD.

Section 10 - Restoration.

Section 13(B) of the ACC is modified in its entirety to read as follows:

The HA, to the extent that insurance proceeds or condemnation award proceeds ("Proceeds") permit, shall promptly cause the restoration, reconstruction, and/or repair ("Restoration") of any damaged or destroyed property of the Development. If the Project Units are owned by an entity other than the HA, the obligation for Restoration, to the extent Proceeds and other funds (if any are made available by an owner entity or the HA) permit, is a requirement with which the owner entity must comply to the extent Restoration is feasible. Each mortgagee must permit Restoration if feasible (rather than require application of Proceeds to reduction of debt).

If Restoration is not feasible, then the following requirements, which shall be incorporated into the Regulatory and Operating Agreement between the HA and the owner entity (and ground lease, if applicable), and with which all mortgage documents encumbering the Development shall be consistent, shall apply:

(1) if the Proceeds are less than or equal to the sum of the existing outstanding mortgage debt secured by the Development, excluding any such debt held by the HA to secure a loan of public housing funds or HOPE VI grant funds for the Project ("Existing Mortgages"), and such Proceeds are applied to reduction of Existing Mortgages, the **number** of Project Units in the Development shall remain the number required immediately prior to the occurrence of the

casualty or condemnation;

(2) if the Proceeds are less than or equal to the sum of the Existing Mortgages but, at the election of the holders of the Existing Mortgages, are distributed among the holders thereof **and** the HA, by application first to reduction of the Existing Mortgages in an aggregate amount not to exceed the proportion of the Proceeds equal to the ratio of non-Project Units to all dwelling units in the Development, and then by payment to the HA of the balance of the Proceeds; then the **percentage** of units in the Development (and the percentage of bedrooms contained therein) which shall be Project Units shall remain the same as required immediately prior to the casualty or condemnation;

(3) if the Proceeds are more than sufficient to pay off the Existing Mortgages, Proceeds in excess of the aggregate amount of the Existing Mortgages shall be applied in the following order of priority, (i) to reduce any outstanding indebtedness to the HA for a loan of public housing funds or HOPE VI grant funds, (ii) to reimburse the HA for any public housing funds or HOPE VI grant funds disbursed to the owner entity for development of the Development other than by loan, (iii) to the HA an amount equal to the total "cost of construction" attributable to the Project Units, less the sum of (i) and (ii) above, and (iv) to the owner entity. (For the purposes of this paragraph, the term "cost of construction" shall mean the total cost of developing the Development, less land acquisition costs, if any, and non-capitalized "soft" costs.) Following application of Proceeds in accordance with the foregoing, the **percentage** of dwelling units in the Development which shall be Project Units (and the percentage of bedrooms contained therein) shall remain the same as required immediately prior to the casualty or condemnation; **provided**, however, that to the extent that the payment to the HA pursuant to clauses (i), (ii), and (iii) shall be less than the "cost of construction" attributable to the Project Units, the number of remaining units in the Development which shall be Project Units shall be increased by a number of units (rounded down) equal to (A) the amount by which such payments to the HA shall be less than the cost of construction, divided by (B) the quotient of (x) cost of construction, divided by (y) the number of Project Units immediately prior to the occurrence of the casualty or condemnation.

Section 11 - Default.

(A) Each of the following shall constitute an event of substantial default under the ACC:

(1) The draw down of public housing funds (or HOPE VI grant funds, if applicable) under the Proposal in amounts greater than authorized, or in amounts greater than allowed by the pro rata drawdown requirements in Exhibit G of this Mixed-Finance ACC Amendment;

(2) Breach of any approved performance schedule; or

(3) Serious and material breach of any terms, covenants, agreements, provisions, or warranties of:

(i) the HA, as set forth in this Mixed-Finance ACC Amendment;

(ii) the HA, as set forth in any agreement submitted to HUD as part of the evidentiary materials and entered into between the HA and the owner entity, partner, or other participating party relating to the Proposal which, in the opinion of HUD, adversely affects the performance obligations of the HA, the owner entity, or other participating parties, as set forth in this Mixed-Finance ACC Amendment; and

(iii) the owner entity, partner, or other participating party, made in any agreement submitted to HUD as part of the evidentiary materials which, in the opinion of HUD, adversely affects the performance obligations of the HA, the owner entity, partner, or other participating party as set forth in this Mixed-Finance ACC Amendment.

(B) HUD shall permit an owner entity, partner, or lender to participate, and may, in its discretion, permit any other participating party to participate, in any appeal from a notice of substantial default delivered by HUD to the HA pursuant to Section 17 (C) of the ACC with respect to the Project.

(C) During the term of the Regulatory and Operating Agreement between the HA and the owner entity and so long as the owner entity shall not be in default of its obligations thereunder, HUD agrees that in the event of a substantial default by the HA under the ACC, HUD shall exercise any remedies or sanctions authorized under the ACC, including taking possession of the HA's interest in the Project, in such manner as not to disturb the owner entity's rights under the Regulatory and Operating Agreement.

(D) The rights of the mortgagee under the Note and First Mortgage (including the right to exercise all remedies specified therein) shall not be subordinate to any other obligations imposed upon the Development, except as such obligations (i) shall be reflected in a declaration of restrictive covenants as required by Section 9 of this Mixed-Finance ACC Amendment, or a memorandum of lease (if applicable), and/or any other recorded instrument which shall have been recorded prior to the lien of the First Mortgage, or (ii) shall be the subject of a subordination agreement with such mortgagee.

In consideration of the foregoing covenants, the parties do hereby set forth their seals:

(SEAL) HOUSING AUTHORITY OF THE CITY OF

(Housing Authority)

ATTEST:

By _____

Executive Director

UNITED STATES OF AMERICA
Secretary of Housing and Urban
Development

By _____
Director of Public Housing
State Office

EXHIBIT A

[Exhibit A must include an identification and description of each participating party (including its role under the Proposal, the type of entity, its composition, and any relationships among parties) involved in the implementation of the full Proposal, with an address and a contact person for each such party. If the Proposal is being implemented in phases, list in Exhibit A-1 (through the applicable number of phases) the participating parties for each of the respective phases. If the identities of all participating parties are not known at the time this Mixed-Finance ACC Amendment is executed, this Mixed-Finance ACC Amendment shall be further amended to include the name, address and contact person for each such participating party.]

EXHIBIT A - 1

PHASE 1

[Must be included at the time the Mixed-Finance ACC Amendment is executed.]

EXHIBIT B

[Exhibit B must include a description of the overall activities to be carried out under the Proposal, in addition to the activities ascribed to, and the financing to be provided by, each participating party. If the Proposal is to be implemented in phases, also describe the activities and financing by phase in Exhibits B - 1 through the applicable number of phases. This Exhibit must be amended if any of the foregoing information (for any phase subsequent to the first phase) is unavailable at the time this Mixed-Finance ACC Amendment is executed.]

Overall Description

EXHIBIT B - 1

PHASE 1

[Must be included at the time the Mixed-Finance ACC Amendment is executed.]

EXHIBIT C

[Exhibit C must include an identification of the total number of public housing units to be developed under the Proposal, with a breakdown by bedroom count.

I. Proposed number of public housing units _____.

II. Breakdown of public housing units by bedroom count: _____
_____
_____

[If the Proposal is to be implemented in phases, provide the above information for each phase on Exhibits C - 1 through the applicable number of phases. If the number of public housing units, or the breakdown by bedroom count, in any particular phase subsequent to the first phase is unavailable at the time this Mixed-Finance ACC Amendment is executed, such information must be included by amendment to this Exhibit.]

EXHIBIT C - 1

PHASE 1

[Must be included at the time the Mixed-Finance ACC Amendment is executed.]

EXHIBIT D

DEVELOPMENT SCHEDULE

I

I. The evidentiary materials described in Exhibit E of this Mixed-Finance ACC Amendment must be submitted to HUD by the HA no later than:

_____

[SPECIFY THE DATE BY WHICH ALL EVIDENTIARY MATERIALS MUST BE SUBMITTED OR, IF THE PROPOSAL IS TO BE IMPLEMENTED IN PHASES, FOR PHASE 1.]

II. If the Proposal is to be implemented in phases, for each phase (subsequent to the first phase) the Proposal submission package and the evidentiary materials, as described in Exhibit E, must be delivered to HUD no later than the following dates:

	Date for Proposal Submission Package	**Date for Evidentiary Materials**
Phase 2		[six months after submission package date]
Phase 3		[six months after submission package date]

III. Upon HUD's notification to the HA of its approval of the evidentiary materials required to be submitted under paragraph (I) of this exhibit, the HA shall be authorized to draw down public housing development funds (or HOPE VI funds, if applicable) for the implementation of the Proposal, or the applicable phase of the Proposal, in accordance with all applicable requirements, including Section 7 of this Mixed-Finance ACC Amendment.

IV. The activities described in the HA's Proposal at Exhibit B of this Mixed-Finance ACC Amendment shall be commenced and completed in accordance with the following schedule:

Activity	**Commencement Date**	**Completion Date**

[If the Proposal is to be implemented in phases, provide the above information for each phase in Exhibits D - 1 through the applicable number of phases. If the commencement and completion dates for any particular phase, subsequent to the first phase, are unavailable at the time this Mixed-Finance ACC Amendment is executed, such information must be included in the Proposal submission package and included in this Exhibit by amendment.]

EXHIBIT D - 1

PHASE 1

The activities described in the HA's Proposal at Exhibit B of this Mixed-Finance ACC Amendment shall be commenced and completed for Phase 1 in accordance with the following schedule:

Activity	Commencement Date	Completion Date

[Must be included at the time the Mixed-Finance ACC Amendment is executed.]

EXHIBIT E

REQUIRED EVIDENTIARY MATERIALS

The evidentiary materials to be submitted by the HA to HUD must be in one complete package or binder(s) (or, if applicable, in one complete package or binder for each phase), together with a copy of this Mixed-Finance ACC Amendment and the HOPE VI Grant Agreement, if applicable, with an index describing the material submitted, under tabbed dividers. **All evidentiary materials must be submitted in accordance with the provisions of Section 6 of this Mixed-Finance ACC Amendment** and for each phase (if applicable) must consist of the following:

I. _____ All government approvals and permits necessary for the commencement of the activities in the Proposal have been obtained or provided. Evidence of this requirement may be a written original certification from the HA.

A _____
B. _____
C. _____
D. _____
E. _____

II. _____ Evidence that title to all land necessary to the implementation of the Proposal is held by the HA, the owner entity, or the appropriate participating party.

III. _____ All agreements required or permitted to be entered into between the HA, the owner entity, partner or participating parties under this Mixed-Finance ACC Amendment.

A. _____
B. _____
C. _____
D. _____
E. _____
F. _____
G. _____
H. _____

IV. _____ Evidence of loans, notes, mortgages, deeds of trust, use restrictions, closings, bond sales, or other financing arrangements, whether private or public financing, necessary to the accomplishment of the Proposal (unless any such documents are specifically excluded from the evidentiary materials that must be submitted):

A. _____
B. _____
C. _____
D. _____
E. _____
F. _____
G. _____

V. _____ Legally binding commitments, agreements, and all other documents as required to satisfy the requirements of this Mixed-Finance ACC Amendment, to be submitted to HUD for approval, must include (but is not limited to) the following for each phase, as applicable:

[Following is a sample listing of documents that may be required for each Mixed-Finance ACC Amendment]:

A. _____ Copy of a deed restriction, covenant running with the land, ground lease, or other arrangement, of public record, that will assure to the satisfaction of HUD that the public housing units will be subject to a covenant obligating the owner entity and the HA, and any successors in title (including any successor who acquires title to the owner entity's or HA's estate through foreclosure) to: (1) maintain and operate the public housing units for the period required by law in compliance with all applicable public housing requirements, including the ACC between the HA and HUD, and this Mixed-Finance ACC Amendment; and (2) not to encumber, demolish or sell the public housing units without HUD approval.

B. _____ A regulatory and operating agreement that provides, among other things, for: (a) a methodology acceptable to HUD for distribution of a portion of the HA's Operating Fund assistance to the public housing units; and (b) binding assurances that the percentage of public housing units and number of bedrooms will be maintained, together with an Authority Reserve Escrow Agreement executed by the HA, the owner entity, and a financial institution acting as escrow agent thereunder.

C. _____ A cooperation agreement executed by and between the HA and the applicable local jurisdiction. If the cooperation agreement does not specifically cover the proposed mixed-finance units, the HA must also submit an opinion from counsel for the applicable locality affirming that the proposed mixed-finance units are covered under the existing cooperation agreement between the locality and the HA.

D. _____ A guarantee of completion from _____ to the HA.

E. _____ A partnership agreement and/or a development agreement executed by and between the HA, the partner, and the owner entity that establishes the relationships among the parties with respect to carrying out the Proposal, including all rights and liabilities (financial

and otherwise) of the parties and the respective commitments of the parties with respect to carrying out the Proposal.

F. _____ A management plan for the proposed development, and a management agreement executed by the owner entity and the management agent.

G. _____ A loan agreement providing for the loan of public housing development funds (or HOPE VI funds, if applicable) to the owner entity, in accordance with the Proposal.

H. _____ A copy of the limited partnership agreement of the owner entity, executed by the equity investor(s); a copy of the offering statement or syndication prospectus; a statement by the depository of the funds certifying that the limited partnership interests have been sold and as to the amount of such proceeds that are available for implementation of the Proposal; and an opinion of the owner entity's counsel, addressed to HUD.

I. Alternative management plan. An alternative management plan between the HA and the owner entity concerning the proposed method of dealing with a reduction in Operating Fund assistance for the public housing units in the event of cutbacks in appropriated Operating Funds, or because of other changes in applicable law.

J. _____ [The loan documents required under item (IV) of this Exhibit F may specifically exclude the following documents:

1. [Loan documents approved by the Federal Housing Commissioner;]

2. _____

3. _____

4. _____

K. _____ A copy of the review and approval form executed by the appropriate official conducting the subsidy layering review pursuant to section 102 of the HUD Reform Act of 1989.

L. _____ Copies of all executed development-related contracts.

M. The HA shall also submit to HUD for review and approval the following evidentiaries:

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

EXHIBIT E - 1

PHASE 1

[Evidentiary materials that relate specifically to Phase 1 include the following:]

[Must be included at the time the Mixed-Finance ACC Amendment is executed.]

EXHIBIT F

This Exhibit is the revised budget for the entire Proposal, including all public and private sources of funds, as applied to the uses (by category), as approved by HUD.

EXHIBIT F - 1

PHASE 1

This Exhibit is the Budget for Phase 1 of the Proposal, including all public and private sources of funds, as applied to the uses (by category), as approved by HUD.

[Must be included at the time the Mixed-Finance ACC Amendment is executed.]

EXHIBIT G

1. Public housing development funds (or HOPE VI funds, if applicable) needed for the implementation of the Proposal (or, if the Proposal is being implemented in phases, for Phase 1 and any other phase for which no separate ratio is specified on Exhibits G - 2 through the applicable number of phases), may be drawn down under this Mixed-Finance ACC Amendment only in a ratio to other public and private funds in the Proposal of not more than $1.00 of public housing development funds (or HOPE VI funds, if applicable) to $_____ of the aggregate amount of other public and private funds provided for in the Proposal, excluding any amounts agreed to by HUD, as provided below. The dollar amount to which this ratio applies is $_____ (provided, however, that if the Proposal is to be implemented in phases and no other ratio is specified for any phase subsequent to Phase 1, this amount shall be deemed to be increased to the total amount of the Proposal.

2. Set forth below are the amounts and uses of funds that have been excluded, solely for the purposes of establishing the draw down ratio, from the aggregate amount of public and private funds to be provided under the Proposal. The following amounts are not subject to the draw down ratio requirement of Section 7 of this Mixed-Finance ACC Amendment (include amounts for front-end assistance approved by HUD):

AMOUNT	PURPOSE
$_____	[specify]
$	TOTAL

[Any separate ratio that is applicable to any other phase of the Proposal must be set forth in the respectively numbered Exhibit, with any exclusions specified as required under item 2 of this Exhibit.]

GROUND LEASE AGREEMENT
(RESIDENTIAL)

between the

HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO

and

NORTH BEACH HOUSING ASSOCIATES, A CALIFORNIA LIMITED PARTNERSHIP

NOVEMBER 1, 2002

DOCUMENTS DEPT.
DEC 18 2002
SAN FRANCISCO
PUBLIC LIBRARY

TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS 2
Section 1.1 Definitions. 2
Section 1.2 Exhibits. 8
ARTICLE 2 LEASE OF THE LEASED PREMISES 8
Section 2.1 Leased Premises. 9
Section 2.2 Term. 9
Section 2.3 Use. 9
Section 2.4 Possession. 9
Section 2.5 Memorandum of Lease. 10
ARTICLE 3 THE IMPROVEMENTS 10
Section 3.1 Construction. 10
Section 3.2 No Liens. 10
Section 3.3 Permits, Licenses and Easements. 10
Section 3.4 Title to Improvements. 11
Section 3.5 Benefits of Improvements During Term. 11
Section 3.6 Restrictions Applicable to Units. 11
Section 3.7 Equal Opportunity. 12
Section 3.8 Resident Hiring Plan. 12
Section 3.9 Reciprocal Easement Declaration. 13
ARTICLE 4 RENTS; PAYMENTS 13
Section 4.1 Basic Rent 13
Section 4.2 Additional Rents. 13
Section 4.3 Performance Reserve 13
Section 4.4 Affordability Reserve 14
Section 4.5 Initial Operating Period Reserve 14
Section 4.6 Payments. 14
ARTICLE 5 TAXES AND OTHER IMPOSITIONS; UTILITIES 14
Section 5.1 Payment of Impositions. 14
Section 5.2 Contested Taxes and Other Impositions. 15
Section 5.3 Valuation Assessment. 15
Section 5.4 Failure to Pay Impositions. 15
Section 5.5 Utilities. 15
ARTICLE 6 INSURANCE 16
Section 6.1 Lessee's Insurance. 16
Section 6.2 General Requirements. 16
Section 6.3 Evidence of Insurance. 17
Section 6.4 Failure to Maintain. 17
Section 6.5 Acceptability of Insurers 17
ARTICLE 7 MAINTENANCE, ALTERATIONS, REPAIRS AND REPLACEMENTS 17
Section 7.1 Maintenance of Leased Premises. 17
Section 7.2 Alterations to Leased Premises 17
Section 7.3 Indemnifications. 18

ARTICLE 8 PERMITTED MORTGAGES AND INVESTOR RIGHTS 19
Section 8.1 Right to Encumber. 19
Section 8.2 Notice to Leasehold Mortgagee. 19
Section 8.3 Right of Leasehold Mortgagee to Cure 19
Section 8.4 Limitation on Liability of Leasehold Mortgagee. 21
Section 8.5 Investor Interest 22
Section 8.6 Notice to Investor 22
Section 8.7 Right of Investor to Cure 22
Section 8.8 Limitation on Liability of Investor. 23
Section 8.9 Estoppel Certificates. 23
Section 8.10 Registration of Leasehold Mortgages. 24
Section 8.11 Approval of Lessor. 23
Section 8.12 New Lease 24

ARTICLE 9 REPRESENTATIONS, WARRANTIES AND COVENANTS 24
Section 9.1 Representations, Warranties and Covenants of Lessee. 24
Section 9.2 Representations, Warranties and Covenants of Lessor. 25
Section 9.3 Hazardous Materials. 25
Section 9.4 As-Is Conveyance. 28
Section 9.5 Environmental Work. 29
ARTICLE 10 EMINENT DOMAIN 29
Section 10.1 Termination of Lease. 29
Section 10.2 Continuation of Lease and Presumption of Restoration. 29
Section 10.3 Temporary Taking. 29
Section 10.4 Award. 30
Section 10.5 Joinder. 30
ARTICLE 11 DAMAGE OR DESTRUCTION 30
Section 11.1 Damage or Destruction to Leased Premises. 30
Section 11.2 Damage or Destruction Near End of Term. 31
Section 11.3 Distribution of Insurance Proceeds. 31
Section 11.4 HUD Provision 31
ARTICLE 12 EVENTS OF DEFAULT 31
Section 12.1 Events of Default. 32
Section 12.2 Rights and Remedies. 33
Section 12.3 Deficiency Judgments. 33
Section 12.4 Limitations on Remedies. 33
Section 12.5 Default by Lessor. 34
Section 12.6 HUD Cure Rights in Event of Lessor Default. 34
Section 12.7 Notices. 34
ARTICLE 13 QUIET ENJOYMENT AND POSSESSION; INSPECTIONS 35
Section 13.1 Quiet Enjoyment. 35
Section 13.2 Lessor's Right of Inspection. 35
ARTICLE 14 VACATION OF LEASED PREMISES 35
ARTICLE 15 NON-MERGER 35

ARTICLE 16 ASSIGNMENTS AND TRANSFERS 36
Section 16.1 Consent Required 36
Section 16.2 Limitations on Consent Requirement 36
Section 16.3 Subsequent Assignment 37
Section 16.4 Request for Consent 37
Section 16.5 Grant of Purchase Option to Lessor or Affiliate 37
Section 16.6 Grant of Purchase Option to BRIDGE Housing Corporation or Affiliates. 38
ARTICLE 17 MISCELLANEOUS PROVISIONS 38
Section 17.1 Entire Agreement: Modifications 38
Section 17.2 Governing Law 38
Section 17.3 Binding Effect 38
Section 17.4 Severability 38
Section 17.5 Further Assurances 38
Section 17.6 Captions 38
Section 17.7 Gender 39
Section 17.8 Exhibits 39
Section 17.9 References 39
Section 17.10 Rights Cumulative 39
Section 17.11 Notices 39
Section 17.12 Counterparts 40
Section 17.13 Time of Essence 40
Section 17.14 Relationship of Parties 40
ARTICLE 18 PARTICULAR COVENANTS 41
Section 18.1 Non-Discrimination 41
Section 18.2 Section 3 Requirements 41
Section 18.3 Covenants Binding Upon Successors 41
Error! Reference source not found.

EXHIBITS:

EXHIBIT A LEASED PREMISES
EXHIBIT B SITE PLAN
EXHIBIT C MEMORANDUM OF LEASE
EXHIBIT D MITIGATION MEASURES
EXHIBIT E RESIDENT HIRING PLAN
EXHIBIT F AFFIRMATIVE ACTION REQUIREMENT
EXHIBIT G RECIPROCAL EASEMENT DECLARATION
EXHIBIT H PERFORMANCE RESERVE ~~AGREEMENT~~STANDARDS

GROUND LEASE AGREEMENT
(North Beach Place--Residential)

THIS GROUND LEASE AGREEMENT ("Lease") is entered into as of the first day of November, 2002, by and between the HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body, corporate and politic ("Lessor"), and North Beach Housing Associates, a California limited partnership ("Lessee").

RECITALS

A. Lessor owns certain unimproved real property situated in the City of San Francisco, California, which has been subdivided into separate parcels for commercial and residential development. The parcels intended for residential development are more specifically described on Exhibit A attached hereto (the "Leased Premises").

B. Lessor and the United States Department of Housing and Urban Development ("HUD") have entered into a certain HOPE VI Grant Agreement effective May 16, 1997 (the "HOPE VI Grant Agreement"), providing for a grant to be made by HUD to Lessor to assist in the revitalization of the Leased Premises through development of affordable housing, including replacement public housing units, in partnership with third parties.

C. Lessee, as consideration for the Lease, has agreed to construct approximately three hundred forty-one (341) units of multifamily housing, together with approximately 324 parking spaces and approximately 10,200 square feet of community space and child care facilities, on the Leased Premises, to be known, collectively, as the North Beach Place Apartments (the "Improvements"). The Leased Premises is the site of the former North Beach public housing development, which has been demolished by the Lessor as part of a HOPE VI revitalization effort. The overall revitalization project will include 341 affordable rental units, including 138 public housing units, to be located on the Leased Premises, as well as approximately 21,539 square feet of commercial space and the community space and child care facilities described above.

D. Lessor desires to lease the Leased Premises to Lessee for a period of seventy-five (75) years from the date of recordation of the Tax Credit Restrictive Covenant, pursuant to the terms of this Lease.

E. Capitalized terms which are referred to and utilized throughout this Lease are defined in Article I of this Lease.

NOW, THEREFORE, for and in consideration of the foregoing premises, the covenants, representations, warranties and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE 1
DEFINITIONS

Section 1.1 Definitions. For the purposes of this Lease, the following defined terms shall have the meanings ascribed thereto in this Article 1:

Act: The United States Housing Act of 1937, as amended and as may hereafter be amended from time to time, or any successor legislation.

ACC or Annual Contributions Contract: That certain Consolidated Annual Contributions Contract or ACC between HUD and Lessor, as amended or restated from time to time including, specifically, as it may be amended by a Mixed Finance Amendment to Consolidated Annual Contributions Contract related to the Improvements.

Approved Financing: All mortgage loans made by Lessor to Lessee and such other financing as Lessor may approve. Approved Financing as of the date hereof includes the following:

(a) Affordable Housing Program ("AHP") loan from Citibank, F.S.B., a federal savings bank, in the approximate amount of One Million Dollars ($1,000,000)(the "AHP Loan");

(b) Construction loan for the residential improvements in the project, from Citibank, F.S.B., a federal savings bank, in the approximate amount of Fifty One Million ~~Four~~Three Hundred Twenty Thousand Dollars (~~$50,400,000~~51,320,000)(the "Construction Loan"), which loan is to be partially repaid and converted to a permanent loan in ~~the~~an amount ~~of~~up to ~~$19,691,079~~22,800,000 upon completion of construction of the Improvements and the satisfaction of certain other conditions ("Permanent Loan");

(c) HOPE VI loan from Lessor in the approximate amount of Fourteen Million ~~Four Hundred Eighty Nine~~Thirteen Thousand Four Hundred Seventeen Dollars (~~$14,489,417~~14,013,417)(the "HOPE VI Loan");

(d) Mayor's Office of Housing loan from the San Francisco Mayor's Office of Housing ("MOH") in the approximate amount of Ten Million Dollars ($10,000,000)(the "MOH Loan").

Casualty: As defined in Article 11 hereof.

City: The City of San Francisco, California.

Closing: The date on which one or more deeds of trust securing one or more construction loans for the Improvements are recorded against the Leased Premises.

Commencement Date: The date first written above.

DDA: That certain Disposition and Development Agreement relating to the revitalization efforts on the Leased Premises, and on other parcels on which commercial space

will be developed, in the City of San Francisco, among Lessor and North Beach Development Associates, LLC, a California limited liability company ("NBDA"), dated as of March 12, 2002.

Declaration of Trust: That certain Declaration of Trust and Restrictive Covenants in favor of HUD, dated of even date herewith, and recorded against the Leased Premises.

Event of Default: As described in Article 12 hereof.

Excess Development Proceeds: The amount by which the sum of the proceeds of the Permanent Financing Sources received by Borrower exceeds the Development Costs. As used herein, "Permanent Financing Sources" shall mean the HOPE VI Loan, the MOH Loan, the Permanent Loan, the AHP Loan, and the capital contributions made by Investor and BRIDGE Housing Ventures, Inc. to Borrower pursuant to the Contribution Agreement of even date herewith among Investor, NBDA, BRIDGE Housing Ventures, Inc. and Borrower. "Development Costs" shall mean the sum of total development costs as shown on the cost certification submitted by Borrower to TCAC in order to obtain issuance of IRS Form 8609.

Final Date: The date on which the latest of the following occurs: receipt by Borrower of its IRS Form 8609 from TCAC, receipt by Borrower of the final capital contribution from Investor pursuant to the Contribution Agreement, and conversion of the Construction Loan to the Permanent Loan.

Governmental Authorities: Any applicable federal, state or local governmental or quasi-governmental entities, subdivisions, agencies, authorities or instrumentalities having jurisdiction over the Leased Premises, the Improvements, Lessor or Lessee.

Hazardous Materials or Hazardous Substances: Any oil or any fraction thereof or petroleum products or "hazardous substance" as defined in Section 101(14) of CERCLA (42 U.S.C. Section 9601(14) or Section 25281(d) or 25316 of the California Health and Safety Code at such time; any "hazardous waste," "infectious waste" or "hazardous material" as defined in Section 25117, 25117.5 or 2550(j) of the California Health and Safety Code at such time; any other waste, substance or material designated or regulated in any way as "toxic" or "hazardous" in the RCRA (42 U.S.C. Section 6901 et seq.), CERCLA Federal Water Pollution Control Act (33 U.S.C. Section 1521 et seq.), Safe Drinking Water Act (42 U.S.C. Section 3000(f) et seq.), Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), Clean Air Act (42 U.S.C. Section 7401 et seq.), California Health and Safety Code (Section 25100 et seq.), or California Water Code (Section 1300 et seq.) at such time; and any additional wastes, substances or material which at such time are classified, considered or regulated as hazardous or toxic under any other present or future environmental or other similar laws relating to the Leased Premises, but excluding any substances or materials used in the construction, development, maintenance or operation of the Improvements, so long as the same are used in accordance with all applicable laws.

Hazardous Materials Law: All federal, state, and local laws, ordinances, regulations, orders and directives pertaining to Hazardous Materials in, on or under the Leased Premises or any portion thereof.

HOPE VI Grant: That certain grant of HOPE VI funds granted to Lessor by HUD for the development of the Improvements.

HOPE VI Loan Agreement: The HOPE VI Construction/Permanent Loan Agreement (North Beach Place) entered into by Lessor and Lessee of even date herewith.

HUD: United States Department of Housing and Urban Development.

Impositions: All taxes, assessments, water and sewer charges, charges for public utilities, excises, levies, license and permit fees and other charges that shall or may be assessed, levied or imposed during the Term by any Governmental Authorities upon the Leased Premises or any part thereof, including the buildings or improvements now or hereafter located thereon; provided, however, that the term "Impositions" shall not include any income tax, capital levy, estate, succession, inheritance, transfer or similar taxes of Lessor, or any franchise tax imposed upon any owner of the fee of the Leased Premises, or any income, profits or revenue tax, assessment or charge imposed upon the rent or other benefit received by Lessor under this Lease by any Governmental Authorities.

Improvements: The 341-unit multifamily rental housing complex, community space and day care facility to be developed on the Leased Premises, including, without limitation the following: parking, tenant related space and related ancillary facilities, together with any and all replacements or substitutions therefor or modifications thereto.

Insurance Requirements: The requirements, whether now or hereafter in force, of any insurer or insurance carrier, any board of fire underwriters or any other company, bureau, organization or entity performing the same or similar functions, applicable to the Leased Premises and/or the Improvements, or any portion thereof, to the extent so applicable.

Investor: ~~RCC Credit Facility, L.L.C.~~Related Capital North Beach Partners LLC, a Delaware limited liability company, and its successors and assigns.

Lease Year: A calendar year.

Leased Premises: That certain real property located in the City of San Francisco, California, as more particularly described on Exhibit A attached hereto and made a part hereof and as more particularly depicted on the Site Plan, together with all and singular rights, easements, licenses, privileges and appurtenances thereunto attaching or in any way belonging thereto.

Leasehold Mortgage: Any mortgage, deed of trust, security agreement or collateral assignment encumbering Lessee's Estate created hereunder as a leasehold mortgage lien.

Leasehold Mortgagee: The holder, mortgagee, grantee or secured party under any Leasehold Mortgage, and their successors and assigns.

Legal Requirements: All laws, statutes, codes, ordinances, orders, rules, regulations and requirements of all Governmental Authorities and the appropriate agencies, officers, departments, boards and commissions thereof, whether now or hereafter in force, applicable

to Lessor, Lessee, the Leased Premises, the Improvements, or any portion thereof, to the extent so applicable.

Lessee's Estate: Lessee's leasehold interest in the Leased Premises acquired pursuant to this Lease and any fee or other interest in the Leased Premises acquired by Lessee hereafter.

Lessor's Estate: Lessor's fee estate in the land constituting the Leased Premises.

Management Agent: The Person designated from time to time as "Management Agent" of all or any portion of the Improvements under any management agreement entered into from time to time with Lessee.

MBE & WBE Requirements: Those certain policies and guidelines of Lessor attached hereto as Exhibit F.

Mitigation Measures: The requirements of the Mitigated Negative Declaration issued pursuant to the California Environmental Quality Act (CEQA) and any ongoing requirements under the National Environmental Protection Act (NEPA), which are attached hereto as Exhibit D.

MOH Loan Agreement: The Loan Agreement (City and County of San Francisco Jobs-Housing Linkage Program) dated _____, 2002 entered into between MOH and Lessee.

MOH Units: The 112 residential units to be constructed on the Leased Premises financed in part by the MOH Loan, 28 of which will be assisted by Section 8 project-based vouchers. The MOH Units will include 6 one-bedroom units (of which 1 will have Section 8 assistance), 69 two-bedroom units (of which 17 will have Section 8 assistance), 21 three-bedroom units (of which 5 will have Section 8 assistance), and 16 four-bedroom units (of which 5 will have Section 8 assistance).

Net Condemnation Award: The net amounts owed or paid to the Parties or to which either of the Parties may be or become entitled by reason of any Taking or pursuant to any agreement with any condemning authority which has been made in settlement of any proceeding relating to a Taking, less any costs and expenses incurred by the Parties in collecting such award or payment.

Non-Residential Space: That portion of the Project which is non-residential in character, including, but not limited to common areas, community room, and laundry facilities.

Option: The purchase option and right of first refusal described in that certain Purchase Option and Right of First Refusal Agreement between Lessor, Lessee and BRIDGE Housing Corporation, a California non-profit public benefit corporation ("BRIDGE"), with respect to the Leased Premises and dated of even date herewith (the "Purchase Option Agreement").

Party: Lessor or Lessee, as applicable. Lessor and Lessee shall be referred to collectively as the "Parties."

Person: An individual, partnership, corporation, limited liability company, trust, unincorporated association, or other entity or association.

Preconstruction Services Agreement ("PSA"): That certain agreement between Lessor and North Beach Development Associates, LLC, a limited liability company ("NBDA"), in which NBDA agreed to arrange for the demolition of the former improvements on the Leased Premises.

PHA-Assisted Replacement Units: The 138 residential units to be constructed on the Leased Premises which will be restricted during the Restricted Period for use solely by Public Housing Eligible Households in accordance with the provisions of this Lease. The PHA-Assisted Replacement Units will include 20 one-bedroom units, 75 two-bedroom units, 38 three-bedroom units, and 5 four-bedroom units.

Project: The Leased Premises and the Improvements.

Public Housing Eligible Household: Tenants who qualify as being eligible to occupy "public housing," as defined in Section 3(b) of the Act.

Public Housing Requirements: The Act, HUD regulations thereunder, applicable Executive Orders, the ACC, the HOPE VI Grant Agreement, the Declaration of Trust, and the Regulatory and Operating Agreement as those requirements may be waived or amended from time to time.

Reciprocal Easement Declaration: That agreement attached hereto as Exhibit G, executed by the Lessor and recorded against the Leased Premises and a portion of the property located immediately below and underneath the Leased Premises and designated for commercial development, providing for reciprocal easements between the commercial and housing portions of the development to be constructed on the property, providing certain restrictions on the use, and changes in use, of the respective parcels and setting forth certain conditions, covenants and restrictions ("CC&R's") on the parcels.

Regulatory and Operating Agreement: That agreement executed by Lessor and Lessee as of the Closing providing for the operation of the PHA-Assisted Replacement Units in the Project.

Rent: As described in Section 4.1 hereof.

Residual Receipts: The amount by which, in a particular calendar year, Operating Revenues exceed Operating Expenses, as determined by an independent certified financial audit. "Operating Revenues" means all income derived by Lessee from the Section 8 Replacement Units (excluding tenant security or rent deposits, unless and until applied to the payment of rent) and shall include, without limitation, (1) rent paid by Tenants occupying the Section 8 Replacement Units; (2) HUD subsidy payments received on behalf of Tenants of the Section 8 Replacement Units; (3) interest on operating and replacement reserves or other

reserves required pursuant to this Lease to the extent such interest is not added to such reserve account; (4) 27% of all rent received by Lessee from the Non-Residential Space in the Project; and (5) 27% of all receipts by Lessee for services at the Project for which a fee is charged separate from unit rent. "Operating Expenses" shall mean all costs and expenses incurred by Lessee directly attributable to the Section 8 Replacement Units, including, but not limited to, maintenance and repair of the units, funding of the replacement reserve for the Section 8 Replacement Units, enforcement of the obligations of the Tenants of the Section 8 Replacement Units, 77% of the debt service, charges and other impositions becoming due under the Section 8 Note (as that term is defined in the documents evidencing the Permanent Loan), or any note evidencing a loan used to refinance the Section 8 Note, provided that such loan is approved by the Authority and only to the extent the proceeds of such loan are used to pay off the Section 8 Note and pay the cost of Authority-approved repairs and the cost of obtaining new loans, 45% of the debt service, charges and other impositions becoming due under the Tax Credit Note (as that term is defined in the documents evidencing the Permanent Loan), or any note evidencing a loan used to refinance the Tax Credit Note, provided that such loan is approved by the Authority and only to the extent the proceeds of such loan are used to pay off the Tax Credit Note and pay the cost of Authority-approved repairs and the cost of obtaining new loans, and 27% of all Project Expenses. "Project Expenses" means all debt service, charges and other impositions becoming due under the Construction Loan prior to conversion to the Permanent Loan, a partnership management fee and asset management fee in such amounts as provided in the Lessee's partnership agreement, all expenses incurred by Lessee for the Non-Residential Space in the Project, all expenses incurred by Lessee for services provided which are not paid by unit rent, and all other expenses incurred by Lessee in the ownership and operation of the Project not directly attributable to specific residential units (as opposed to all residential units in the Project).

Restricted Period: The period during the Term during which the PHA-Assisted Replacement Units must be reserved as public housing units as required by Lessor.

Section 8 Replacement Units: The 91 units to be constructed on the Leased Premises which, together with the PHA-Assisted Replacement Units, will replace the residential units previously existing on the Leased Premises, and which will be assisted by Section 8 project-based vouchers. The Section 8 Replacement Units will include ___ one-bedroom units, ___ two-bedroom units, _____ three-bedroom units, and ___ four-bedroom units.

Site Plan: That certain Site Plan for the Improvements depicting the Leased Premises, a copy of which is attached hereto as Exhibit B.

Subsequent Owner: Subsequent Owner shall mean (a) any party (including, without limitation, any Leasehold Mortgagee or assignee of a Leasehold Mortgagee, as applicable) acquiring the Lessee's rights and interests in the Leased Premises, this Lease, and the Improvements, which acquisition is a result of a foreclosure or other transfer in lieu of foreclosure under a Leasehold Mortgage, and (b) any successor or assignee of any party described in (a).

Taking: A taking during the Term hereof of all or any part of the Leased Premises and/or the Improvements, or any interest therein or right accruing thereto, as a result of the

exercise of the right of condemnation or eminent domain or a change in grade materially affecting the Leased Premises or any part thereof. A conveyance in lieu of or in anticipation of the exercise of any such right of condemnation or eminent domain shall be considered a Taking. Any such Taking shall be deemed to have occurred upon the earlier to occur of (a) the date on which the property, right or interest so taken must be surrendered to the condemning authority, or (b) the date title vested in a condemning authority or other party pursuant to any Taking.

TCAC: The California Tax Credit Allocation Committee.

Tax Credit Eligible Household: A household that is eligible to rent and occupy a qualified low-income dwelling unit under Section 42 of the Internal Revenue Code and any Legal Requirements of the State of California or TCAC (relating to low income housing tax credits).

Tax Credit Restrictive Covenant: The agreement with TCAC to be executed by Lessee and properly recorded in the land records of the County of San Francisco, setting forth certain terms and conditions under which the Improvements will be operated.

Tax Credit Units: A total of 333 of the 341 residential units contemplated to be constructed on the Leased Premises, which are to be restricted for use pursuant to the Tax Credit Restrictive Covenant.

Tenant(s): Any tenant, sublessee or licensee of Lessee under any Tenant Lease(s).

Tenant Lease(s): Any lease or license agreement entered into by Lessee with residents of the residential units to be developed on the Leased Premises.

Term: The period of time described in Section 2.2 hereof.

Transfer: Any sale, assignment, transfer, conveyance, encumbrance, mortgage, or hypothecation, in any manner or form or any agreement to do any of the foregoing.

Section 1.2 Exhibits. The exhibits referred to in this Agreement and attached hereto are:

Exhibit A:	Leased Premises
Exhibit B:	Site Plan
Exhibit C:	Memorandum of Lease
Exhibit D:	Mitigation Measures
Exhibit E:	Resident Hiring Plan
Exhibit F:	Affirmative Action Requirements
Exhibit G:	Reciprocal Easement Declaration
Exhibit H:	Performance Reserve ~~Agreement~~Standards

ARTICLE 2
LEASE OF THE LEASED PREMISES

Section 2.1 Leased Premises. Subject to the terms hereof and in consideration of the covenants of payment and performance stipulated herein, Lessor has leased, demised and let, and by these presents does hereby lease, demise and let unto Lessee, and Lessee hereby leases and takes from Lessor, the Leased Premises. Lessee has an express obligation under Section 3.6 of this Lease to dedicate the Leased Premises and reserve the same for occupancy solely by Public Housing Eligible Households and Tax Credit Eligible Households in accordance with the provisions and requirements of said Section 3.6. This Lease is subject to certain Reciprocal Easement Declaration attached hereto as Exhibit G, which shall be recorded concurrently herewith and all terms and conditions therein, attached hereto as .

Section 2.2 Term. Unless sooner terminated pursuant to the provisions hereof, this Lease shall continue in full force and effect for a term ("Term"), commencing on the date hereof and expiring on the day immediately preceding the seventy-fifth (75th) anniversary of recordation of the Tax Credit Restrictive Covenant against the Leased Premises.

Section 2.3 Use. Subject to the provisions hereof, Lessee shall use the Leased Premises for the redevelopment thereof and for the construction, development and operation of the Improvements on the Leased Premises in accordance with the restrictions and requirements set forth in Article 3 hereof. Further, Lessee agrees:

(a) not to use the Leased Premises for any disorderly or unlawful purpose;

(b) to use commercially reasonable efforts to prevent any action by any Tenants from committing or maintaining any nuisance or unlawful conduct on or about the Leased Premises;

(c) to use commercially reasonable efforts to prevent any action by any Tenant that would cause Lessee to violate any of the covenants and conditions of this Lease with respect to the Improvements;

(d) upon notice from Lessor, to take reasonable action, if necessary, to abate any action by any Tenant that would cause Lessee to violate this Lease; and

(e) subject to the rights of Tenants, to permit Lessor and its agents upon not less than 48 hours written notice to inspect the Leased Premises or any part thereof at any reasonable time during the Term.

Section 2.4 Possession. Lessor agrees to and shall provide possession of the Leased Premises to Lessee immediately following the date of this Lease. To the best of Lessor's knowledge, the Leased Premises are subject only to the encumbrances listed in the Preliminary Title Report from Chicago Title Company, dated as of August 28, 2002, order number 6047301-SH ("Title Report") and such encumbrances approved by Lessor and recorded concurrently with the Memorandum of Lease.

Section 2.5 Memorandum of Lease. The Parties shall execute and acknowledge a memorandum of ground lease, in the form attached hereto as Exhibit C, which Lessee shall cause to be recorded at Lessee's expense.

ARTICLE 3
THE IMPROVEMENTS

Section 3.1 Construction. Lessee shall cause the Improvements to be constructed in substantial compliance with the construction plans and specifications for the Improvements that have been previously approved by Lessor pursuant to the DDA, by December 31, 2004, or such later deadline approved by TCAC. Any and all Improvements constructed by or on behalf of Lessee shall be constructed in a good and worker-like manner, in compliance with all applicable Legal Requirements, including, without limitation, the labor standards applicable to the development of public housing (including, but not limited to, wage rates under the Davis-Bacon Act (40 U.S.C.A. 276a-1 through 40 U.S.C.A. 276a-5)), all applicable requirements of the Act and HUD regulations and in accordance with the HOPE VI Grant Agreement, the Annual Contributions Contract, the requirements of the Approved Financing, the MBE & WBE Requirements and the Resident Hiring Plan.

Section 3.2 No Liens. Lessee shall not have any right, authority or power to bind Lessor, Lessor's Estate or any other interest of Lessor in the Leased Premises, for any claim for labor or material or for any other charge or expense, lien or security interest incurred in connection with the development, construction or operation of the Improvements or any change, alteration or addition thereto. Lessee shall not have any right to encumber Lessee's Estate without the written consent of Lessor, other than as set forth in the Title Report and other than with the Reciprocal Easement Declaration, Leasehold Mortgages for Approved Financing, Tax Credit Restrictive Covenant, utility easements and other customary easements necessary and incidental to the development, construction and operation of the Improvements, which easements are subject to the approval of Lessor, which shall not be unreasonably withheld.

Section 3.3 Permits, Licenses and Easements. Lessor will cooperate with Lessee in the submittal of applications for all required permits, licenses, applications for utility services and easements, provided that Lessee shall be responsible for obtaining any and all permits, licenses, easements and other authorizations required by any Governmental Authority with respect to any construction or other work to be performed on the Leased Premises and for granting or causing to be granted all permits, licenses, easements and other governmental authorizations that are necessary or helpful for electric, telephone, gas, cable television, water, sewer, drainage, access and such other public or private utilities or facilities as may be reasonably necessary or desirable in connection with the construction or operation of the Improvements. Lessee shall be entitled, without separate payment to Lessor for tap or connection fees, to tap into the existing lines, facilities and systems of applicable electric, gas, cable, water, sewer, sewer treatment and other utilities serving the Leased Premises, provided Lessee remains responsible for payment of such fees therefor as are required by the City. Lessor agrees to use Lessor's reasonable efforts to assist Lessee to obtain waiver, reduction or deferral, as applicable, of all fees and other charges otherwise payable in connection with

obtaining any permits, licenses, easements and other authorizations required by any Governmental Authority with respect to any construction or other work to be performed on the Leased Premises in connection with the Improvements.

Section 3.4 Title to Improvements.

(a) During the Term. Lessor hereby grants to Lessee, without warranty express or implied, any right, title, or interest that Lessor has or may have in the Improvements now or hereafter located on the Leased Premises, which Improvements are and shall at all times during the term of this Lease be deemed real property. Notwithstanding any provision in this Lease to the contrary, the Improvements and all alterations, additions, equipment and fixtures built, made or installed by Lessee in, on, under or to the Leased Premises or Improvements shall be the sole property of Lessee until the expiration of the Term or other termination of this Lease; provided, however, that Lessee shall have no right to destroy, demolish or remove the Improvements except as specifically provided for in this Lease or as approved in writing by Lessor. It is the intent of the parties hereto that this Lease shall create a constructive notice of severance of the Improvements from the Leased Premises without the necessity of a deed from Lessor after the Improvements have been constructed.

(b) After the Term. Upon the expiration of the Term or other termination of the Lease, the Improvements and all alterations, additions, equipment and fixtures shall be deemed to be and shall automatically become the property of Lessor, without cost or charge to Lessor. Lessor agrees that Lessee, at any time prior to the sixtieth (60th) day after the expiration or other termination of this Lease, may remove from the Leased Premises any and all equipment which Lessee has furnished for maintenance purposes or for the use of the Management Agent, provided that Lessee shall repair any physical damage to the Leased Premises caused by the removal of such equipment and property. Lessee agrees to execute, at the request of Lessor at the end of the Term, a quitclaim deed of the Improvements to Lessor to be recorded at Lessor's option and expense and any other documents that may be reasonably required by Lessor or Lessor's title company to provide Lessor title to the Leased Premises and the Improvements free and clear of all monetary liens and monetary encumbrances not caused or agreed to by Lessor.

Section 3.5 Benefits of Improvements During Term. Lessor acknowledges and agrees that any and all depreciation, amortization, tax credits and other tax benefits for federal or state tax purposes relating to the Improvements located on the Leased Premises and any and all additions thereto, substitutions therefor, fixtures therein and other property relating thereto shall be deducted or credited exclusively to Lessee during the Term and for the tax years during which the Term begins and ends.

Section 3.6 Restrictions Applicable to Units.

(a) PHA-Assisted Replacement Units and Section 8 Replacement Units. Lessee will cause the PHA-Assisted Replacement Units and Section 8 Replacement Units to be operated and maintained in accordance with, and for the term set forth in, all applicable Public Housing Requirements and the applicable Housing Assistance Payments ("HAP") Contract, respectively.

(b) MOH Units. Lessee will cause the MOH Units to be operated and maintained in accordance with the Declaration of Restrictive Covenants recorded with respect to such Units, and Lessee shall so operate and maintain such Units for the term set forth in the Declaration of Restrictive Covenants, unless such Covenants are released from the Leased Premises pursuant to a foreclosure upon a Leasehold Mortgage.

(c) Tax Credit Units. Lessee will cause all Tax Credit Units to be operated and maintained in accordance with the Tax Credit Restrictive Covenant, and Lessee shall so operate and maintain such Units for the term set forth in the Tax Credit Restrictive Covenants, unless such Covenant is released from the Leased Premises pursuant to a foreclosure upon a Leasehold Mortgage; provided, however, that in no event will any action be taken which violates Section 42(h)(6)(E)(ii) of the U.S. Internal Revenue Code of 1986, as amended, regarding prohibitions against evicting, terminating tenancy or increasing rent of tenants for a period of three (3) years after acquisition of a building by foreclosure or deed-in-lieu of foreclosure.

(d) Other Restrictions. Lessee will cause all Tax Credit Units in the Improvements to be operated and maintained in a manner which ensures that such Units are reserved for persons or households with no more than sixty percent (60%) of area median income, adjusted for household size, and that the monthly housing cost to such persons or households is no more than one-twelfth of thirty percent (30%) of such amount; provided, however, that this provision shall not be construed to interfere with the rights of Relocatees, as that term is defined in the Management Plan, of even date herewith, by and among the Lessor, Lessee and Management Agent; provided, further, that Lessor agrees to modify these restrictions to permit higher-income tenants in the event that transformation remedies under Sections 6.4, 6.5 or 6.6 of the Regulatory and Operating Agreement are implemented or the project-based Section 8 contract for the Project is terminated or not renewed, subject to tax credit restrictions, if any; and provided, further, that the restrictions in this Section 3.6(d) shall terminate upon the expiration of fifty-five (55) years after issuance of a certificate of occupancy by the City Building Department, or equivalent sign-off, for each Unit in the Improvements.

Section 3.7 Equal Opportunity. During the construction of the Improvements, Lessee shall not discriminate on the basis of race, color, creed, religion, sex, sexual orientation, age, disability, marital status, condition of Acquired Immune Deficiency Syndrome (AIDS) or AIDS- related complex, national origin or ancestry in the hiring, firing, promoting or demoting of any person engaged in the construction work. Lessee shall comply with and adhere to the covenants contained in the MBE & WBE Requirements, as set forth in Exhibit F.

Section 3.8 Resident Hiring Plan. Lessee shall comply fully with the Resident Hiring, attached hereto as Exhibit E, and shall ensure that its contractors and subcontractors comply with the Resident Hiring Plan. Lessee shall review the provisions of the Resident Hiring Plan with its contractors and subcontractors and shall attach a copy of the Resident Hiring Plan to each contract or sublease it enters into with such entities.

Section 3.9 Reciprocal Easement Declaration. Lessee shall comply fully with the Reciprocal Easement Declaration attached hereto as Exhibit G, providing for ingress, egress, use, operation and maintenance of such utilities, common areas, service facilities and other components of the Improvements and the commercial portion of the development as are reasonable and necessary to permit complete, efficient and effective use of the Improvements.

ARTICLE 4
RENTS; PAYMENTS

Section 4.1 Basic Rent. Rent in the annual amount of $800,000 (the "Basic Rent") will accrue beginning on January 1, 2005 and will be payable in arrears on July 1, 2006 and on July 1 of each succeeding year until the expiration of the Term or the termination of the Lease. Other than the special payments required under Sections 4.2, 4.3, 4.4 and 4.5 of the Lease, Basic Rent shall only be payable out of 70% of Residual Receipts for the preceding year. The parties agree that Lessee may retain the remaining 30% of Residual Receipts in a particular year, provided that if such amount exceeds $46,500 in a particular year (or $500 for each of the 91 Section 8 Replacement Units), such excess shall be paid to Lessor as Additional Rent. The $500 maximum per unit shall increase at a compounded rate of three percent (3%) per year, beginning in the year following the year in which the first Basic Rent payment is due. Any unpaid amount of Basic Rent shall accrue without interest and shall be due and payable upon the earlier of the expiration of the Term or the termination of the Lease. Any and all payments required to be paid to Lessor pursuant to the provisions described in this Article 4 shall be credited toward the Basic Rent, upon payment of such amount by Lessee to Lessor. In the event the amount paid to Lessor under such provisions exceeds the annual Basic Rent, the excess shall be applied as a prepayment of the Basic Rent for the following year(s).

Section 4.2 Additional Rents.

(a) The Lessee shall make a special lease payment to the Lessor in the amount of fifty-seven percent (57%) of Excess Development Proceeds within thirty (30) days of the later of (i) the Final Date, and (ii) the date of approval of the Borrower's cost certification by the Federal Home Loan Bank in connection with the AHP Loan. Any payment made under this provision shall be applied toward the Basic Rent for that year, or if such Basic Rent has already been paid, as a prepayment of the Basic Rent for the following year(s).

(b) In addition to the Rent specified in Section 4.1 hereof, any and all of the payments that Lessee is required to make hereunder to or for the benefit of Lessor shall be deemed to be "Additional Rents." All such Additional Rents shall be payable in accordance

with the provisions of the Sections of this Lease specifying the payment of such Additional Rents. The Basic Rent specified in Section 4.1 hereof and Additional Rents payable hereunder shall be deemed "Rents" reserved by Lessor, and, subject to Section 12.4 hereof, any remedies now or hereafter given to Lessor under the laws of the State of California for collection of the Rents shall exist in favor of Lessor, in addition to any and all other remedies specified in this Lease.

Section 4.3 Performance Reserve. The Lessee shall make a special payment to Lessor [on] or ~~or~~ [before the Final Date] in the amount of One Million One Hundred Thousand Dollars ($1,100,000) ~~to a reserve account held by Lessor entitled "Housing Authority~~, or such lesser amount as may be authorized in the Performance Reserve ~~{on} or {before the Final Date}~~ Standards [attached hereto as Exhibit H]. ~~Proceeds in the Housing Authority~~Any reductions in this payment to Lessor shall be determined in accordance with the provisions of the Performance Reserve ~~may be drawn by Lessee only~~ Standards and are intended to offset qualified decreases in income or capital contributions or increases in expenses resulting from delays caused by Lessor in lease-up of the PHA-Assisted Replacement Housing Units, the Section 8 Replacement Units or the MOH Section 8 units ~~as more particularly provided in the Performance Reserve Agreement {attached hereto as Exhibit H}~~.

Section 4.4 Affordability Reserve. The Lessee shall make a special payment in the amount of Nine Hundred Seventy-Five Thousand Dollars ($975,000) to the Lessor for deposit in a reserve account held by ——————Citibank for Lessor entitled "Affordability Reserve" on or before the Final Date. The funds in this reserve account shall be used in accordance with Section 5.1 of the Regulatory and Operating Agreement to help ensure the financial viability and continued affordability of the PHA-Assisted Replacement Units and shall be governed by the terms and provisions of the Affordability Reserve Escrow Agreement between Lessor and Lessee and dated simultaneously herewith.

Section 4.5 Initial Operating Period (IOP) Reserve. The Lessee shall make a special payment in the amount of Two Hundred Thousand Dollars ($200,000) to the Lessor for deposit in a reserve account held by Lessor entitled "IOP Reserve" on or before the Final Date. The funds in this reserve account shall be used in accordance with Section 4.3(d) of the Regulatory and Operating Agreement to sustain the operation of the PHA-Assisted Replacement Units after occupancy of the first such unit and prior to commencement of the Operating Subsidy Payment, as that term is defined in the Regulatory and Operating Agreement.

Section 4.6 Payments. All Rents or other sums, if any, due Lessor hereunder shall be paid by Lessee to Lessor at the address of Lessor set forth hereinafter for notices, or to such other person and/or at such other address as Lessor may direct by written notice to Lessee, without notice or demand, and without abatement, deduction or set off.

ARTICLE 5
TAXES AND OTHER IMPOSITIONS; UTILITIES

Section 5.1 Payment of Impositions. Prior to delinquency, Lessee will pay all of the Impositions, except that if any Imposition that Lessee is obligated to pay in whole or in part is permitted by law to be paid in installments, Lessee may pay or cause to be paid such Imposition (or its proportionate part thereof) installments prior to delinquency. Upon the written request of Lessor, Lessee shall exhibit and deliver to Lessor evidence satisfactory to Lessor of payment of all Impositions. During the first and last years of the Term, all Impositions that shall become payable during each calendar, fiscal, tax or Lease Year, as applicable, shall be ratably adjusted on a per diem basis between Lessor and Lessee in accordance with the respective portions of such calendar, fiscal, tax, assessment or Lease Year during the Term. If any special assessments are payable in installments, Lessee shall pay only those installments that are due and for which the delinquency date occurs during the Term for periods occurring during the Term.

Section 5.2 Contested Taxes and Other Impositions.

(a) Lessee, at its sole cost and expense, in its own name or in the name of Lessor, may contest the validity or amount of any Imposition relating to all or any portion of the Leased Premises, in which event the payment thereof may be deferred during the pendency of such contest, if diligently prosecuted.

(b) As may be necessary or desirable, Lessor or Lessee, as applicable, upon the request of the other party, shall use its best reasonable efforts to assist in any such proceeding to contest the validity or amount of any Imposition.

(c) Nothing contained in this Section 5.2, however, shall be construed to allow any such contested Imposition to remain unpaid for a length of time which shall permit the Leased Premises, or any part thereof, to be sold by any Governmental Authorities for the non-payment of such Imposition. Lessee shall promptly furnish Lessor copies of all notices, appeals, pleadings, motions and orders in any proceedings commenced with respect to such contested Imposition. During such contest, Lessee shall (by the payment of such disputed taxes, assessments, or charges, if necessary) prevent any advertisement of tax sale, any foreclosure of, or any divesting thereby of Lessor's title, reversion or other interest in or to the Leased Premises and the Improvements.

Section 5.3 Valuation Assessment. If applicable, Lessee, at its expense, may attempt to obtain a lowering of the assessed valuation of the Leased Premises for any year for the purpose of reducing taxes thereon.

Section 5.4 Failure to Pay Impositions. If Lessee shall fail to pay any Impositions before the same become delinquent, or as otherwise required pursuant to Section 5.2 hereof, Lessor, at its election, may pay such Impositions (but shall not be obligated to pay same), together with any interest and penalties due thereon, and the amount so paid by Lessor shall be repayable to Lessor by Lessee within forty-five (45) days after written notice given by Lessor to Lessee.

Section 5.5 Utilities. Lessee shall pay all utilities used, rendered or supplied upon or in connection with the Improvements and the construction thereof including, but not

limited to, all charges for gas, electricity, light, heat or power, all telephone and other communications services, all water rents and sewer service charges, and all sanitation fees or charges levied or charged against the Leased Premises during the Term; provided, however, that Lessee shall have no responsibility hereunder for the payment of utilities supplied by the respective providers directly to Tenants for such Tenants' use in connection with the occupancy of their respective residential units. Lessor shall have no responsibility for the payment of utility costs.

ARTICLE 6
INSURANCE

Section 6.1 Lessee's Insurance. During the Term, Lessee shall keep and maintain in force, at no cost or expense to Lessor, the following insurance, all of which shall be provided by companies and/or agencies licensed to do business in the State of California:

(a) Leased Premises Insurance. Property insurance covering the risks of physical loss or damage to any of the Improvements, with limits of not less than one hundred percent (100%) of the "full replacement value" thereof, which insurance shall be provided by Lessee upon Closing. Such policies shall be provided with the perils insured under the standard "Causes of Loss--Special Form"(the "Special Form") and shall include, but shall not be limited to, coverage for fire, extended coverage, vandalism, malicious mischief and windstorm. Perils customarily excluded from the Special Form, e.g., earthquake and flood, may be excluded. The term "full replacement value" shall exclude the cost of excavation, foundations and footings. The amount of such insurance shall be adjusted by reappraisal of the Project by the insurer or its designee not more than once every five (5) years after construction during the Term, if requested in writing by Lessor.

(b) General Liability Insurance. Commercial general liability and automobile liability insurance, covering loss or damage resulting from accidents or occurrences on or about or in connection with the Improvements or any work, matters or things under, or in connection with, or related to this Lease, with personal injury, death and property damage combined single limit liability of not less than Five Million Dollars ($5,000,000) per occurrence and in the aggregate for general liability and Five Million Dollars ($5,000,000) for automobile liability for each accident. Coverage under any such policies shall include, but shall not be limited to, operations, contractual, elevators, owner's and contractor's protective, products and completed operations, and the use of all owned, nonowned and hired vehicles.

(c) Workers' Compensation Insurance. Lessee shall carry or cause to be carried Workers' Compensation insurance with limits as required by the State of California and Employer's Liability limits of $1,000,000 for bodily injury by accident and $1,000,000 per person and in the annual aggregate for bodily injury by disease covering all persons employed by Lessee in connection with the Improvements and with respect to whom death, bodily injury, or sickness insurance claims could be asserted against Lessor or Lessee.

(d) Builders' Risk Insurance. As of Closing, during the course of any alteration, construction or reconstruction of the Improvements, the cost of which exceeds One Hundred Thousand Dollars ($100,000), Lessee shall provide builders' risk insurance for not less than the value of the construction contract, insuring the interests of Lessor, Lessee and any contractors and subcontractors. Coverage shall be for the same perils required in subsection (a) above.

Section 6.2 General Requirements. All policies described in Section 6.1 shall include Lessor and Lessee, together with any Leasehold Mortgagees, as named insureds, as their respective interests may appear. All policies described in Section 6.1 shall contain (a) the agreement of the insurer to give Lessor and each Leasehold Mortgagee, as applicable, at least thirty (30) days' notice prior to cancellation (including, without limitation, for non-payment of premium) or any material change in said policies; (b) an agreement that such policies are primary and non-contributing with any insurance that may be carried by Lessor; (c) a provision that no act or omission of Lessee shall affect or limit the obligation of the insurance carrier to pay the amount of any loss sustained; (d) a waiver by the insurer of all rights of subrogation against Lessor and its authorized parties in connection with any loss or damage thereby insured against; and (e) terms providing that any loss covered by such insurance may be adjusted with Lessor and Lessee, but shall be payable to the holder of any Leasehold Mortgage, who shall agree to receive and disburse all proceeds of such insurance, subject to the duty of Lessee to repair or restore, as set forth in Sections 11.1 and 11.2 hereof.

Section 6.3 Evidence of Insurance. Certificates of insurance for all insurance required to be maintained by Lessee prior to Closing under this Article 6 shall be furnished by Lessee to Lessor on or before the date of this Lease. Lessor reserves the right to require complete, certified copies of all required insurance policies, including endorsements demonstrating the coverage required by this Lease at any time.

Section 6.4 Failure to Maintain. If Lessee fails to maintain such insurance, Lessor, at its election, may procure such insurance as may be necessary to comply with the above requirements (but shall not be obligated to procure same), and Lessee agrees to repay to Lessor as Additional Rent the cost of such insurance.

Section 6.5 Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A: VII.

ARTICLE 7
MAINTENANCE, ALTERATIONS, REPAIRS AND REPLACEMENTS

Section 7.1 Maintenance of Leased Premises. During the Term, but only following the Closing, at Lessee's sole cost and expense, Lessee shall keep and maintain the Leased Premises, all Improvements hereafter developed, and all appurtenances thereunto belonging, in good and safe order, condition and repair, normal wear and tear excepted. All such maintenance and repair (a) shall conform to and comply with all Legal Requirements affecting the Leased Premises, including, without limitation, all applicable requirements pertaining to public housing, as any of such requirements may be amended by the HOPE VI Grant

Agreement or otherwise amended from time to time; and (b) with respect to the PHA-Assisted Replacement Units, shall conform to and comply with the Annual Contributions Contract.

Section 7.2 Alterations to Leased Premises. Following construction of the Improvements, Lessee may make any additions, alterations or changes (sometimes collectively referred to herein as "Alterations") in or to the Improvements subject, however, to the following conditions:

(a) No Alterations shall be made that are likely to impair the structural soundness of the Improvements;

(b) No Alterations shall be undertaken that are prohibited by, or would cause the Leased Premises, the Improvements, Lessee or Lessor to be in breach or violation of Section 3.6 of this Lease, the Annual Contributions Contract, the HOPE VI Grant Agreement, or any Legal Requirements;

(c) No Alterations shall be undertaken until Lessee shall have procured, to the extent the same may be required from time to time, all permits and authorizations of all applicable Governmental Authorities, all required consents of any Leasehold Mortgagee, and the consent of Lessor if required pursuant to subsection (e) below. Lessor shall join in the application for such permits or authorizations whenever such action is necessary or helpful and is requested by Lessee, and shall use Lessor's reasonable best efforts to obtain such permits or authorizations;

(d) Any Alterations shall be performed in good and worker-like manner and in compliance with all applicable Legal Requirements and all applicable Insurance Requirements; and

(e) Any Alteration which is anticipated to cost One Hundred Thousand Dollars ($100,000) or more and will be paid for with funds from the Property's Operating Reserve, or Two Hundred Fifty Thousand Dollars ($250,000) or more if the cost for such Alteration will be paid with funds from the Property's Replacement Reserve, must be approved by Lessor, which approval shall not be unreasonably withheld, conditioned or delayed; provided, however, that if a disapproval is not received from Lessor within fifteen (15) days after Lessor's receipt of Lessee's written request for such approval, Lessee's approval shall be deemed to have been given. The amounts set forth above shall increase three percent (3%) per year, commencing on January 1, 2005.

Section 7.3 Indemnifications.

Notwithstanding any other provision of this Lease to the contrary and subject to all rules, regulations and requirements of HUD, Lessee hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to Lessor) Lessor, its commissioners, officers, agents and employees from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses

incurred in connection therewith, including, but not limited to, reasonable attorneys fees and expenses (collectively "claims"), arising from or relating to Lessee's obligations under this Lease or the preparation or implementation of the Reciprocal Easement Declaration or the construction or operations of the Improvements except to the extent caused by the negligence or willful misconduct of Lessor, or any of its commissioners, officers, agents or employees, and except as caused by Lessor's activities in connection with or failure to perform its obligations concerning relocation of residents pursuant to the DDA or matters covered by Lessor's indemnity under Section 3.2 of the DDA or Section 9.3(e) below. This indemnity shall survive the termination of this Lease.

Notwithstanding the foregoing or any other indemnity provision of this Lease, in no event shall any Leasehold Mortgagee or any Subsequent Owner have any obligation to indemnify Lessor or any of the other indemnified parties described above for any claims which arise or are asserted in connection with any acts, omissions, or other occurrences taking place prior to the date that any Leasehold Mortgagee or any Subsequent Owner acquires the Lessee's interest in this Lease.

ARTICLE 8
PERMITTED MORTGAGES AND INVESTOR RIGHTS

Section 8.1 Right to Encumber. Lessee shall have the right during the Term to encumber, through a Leasehold Mortgage pursuant to the Approved Financing, all of Lessee's right, title and interest in the Leased Premises subject to the provisions of this Lease; provided, however, any Leasehold Mortgage shall remain subordinate and inferior to Lessor's right, title, and interest in the Leased Premises and, except as otherwise provided, upon acquisition of the Leased Premises, any foreclosing Leasehold Mortgagee's rights to the Leased Premises shall be subject to the terms and provisions of this Lease. Lessor and Lessee agree that, so long as any Leasehold Mortgage encumbers the Leasehold, the prior written consent of the Leasehold Mortgagee shall be required (a) in connection with any agreement by Lessor and Lessee (or their respective successors and assignees) to cancel, waive, terminate, surrender, amend or modify this Lease, (b) with respect to any acceptance by Lessor of any attempted cancellation, termination, or surrender of this Lease or the Leased Premises on the part of Lessee, and/or (c) with respect to any termination or cancellation of the Lease by Lessee and/or Lessor pursuant to Articles 10 and 11 of the Lease, or any other provision of the Lease which gives the Lessee and/or the Lessor an express right to terminate or cancel the Lease. Any proposed or attempted amendment, waiver, cancellation, surrender, or termination of this Lease without the prior written consent of any Leasehold Mortgagee shall be void and of no force or effect.

Section 8.2 Notice to Leasehold Mortgagee. During any period in which a Leasehold Mortgage is in place, Lessor shall give any such Leasehold Mortgagee of which Lessor has received notice from Lessee a duplicate copy of all notices of default or other notices that Lessor may give to or serve in writing upon Lessee pursuant to the terms of this Lease. The address of the Leasehold Mortgagee originally designated in the Leasehold Mortgage may be changed upon written notice delivered to Lessor in the manner specified in Section 17.11 hereinbelow. Lessor's failure to give any such notice to any such Leasehold

Mortgagee shall not render such notice ineffective, nor shall any such failure constitute an Event of Default hereunder.

Section 8.3 Right of Leasehold Mortgagee to Cure.

(a) General Leasehold Mortgagee Right to Cure. Each Leasehold Mortgagee shall have the right, but not the obligation, at any time prior to termination of this Lease and without payment of any penalty other than the interest on unpaid rent, to pay all of the rents due hereunder, to effect any insurance, to pay any taxes and assessments, to make any repairs and improvements, to do any other act or thing required of Lessee hereunder, and to do any act or thing which may be necessary and proper to be done in the performance and observance of the agreements, covenants and conditions hereof to prevent a termination of this Lease as the same would have been if made, done and performed by Lessee instead of by a Leasehold Mortgagee.

(b) Limitation On Lessor's Right to Terminate. All rights of the Lessor to terminate this Ground Lease as the result of the occurrence of any event of default shall be subject to, and conditioned upon: (a) the Lessor having first given Leasehold Mortgagee notice of such event of default as provided in Section 8.2 above and; (b) Leasehold Mortgagee having failed to remedy such default or acquire Lessee's Leasehold Estate created hereby or commence foreclosure or other appropriate proceedings in the nature thereof within the time and manner set forth in Section 8.3(c) or 8.3(d) below, as applicable.

(c) Leasehold Mortgagee's Options Upon Curable Default. Should any event of default under this Lease occur which is of a curable nature, and not be cured by Lessee within the applicable notice and cure period provided in this Lease, the Lessor shall not terminate this Lease nor exercise any other remedy hereunder unless it first gives written notice of such event of default to Leasehold Mortgagee and, thereafter, the Leasehold Mortgagee shall have failed, within ninety (90) days of receipt of said written notice, either (a) to remedy such default; or (b) to obtain title to Lessee's interest in the Leased Premises in lieu of foreclosure; or (c) to commence foreclosure or other appropriate proceedings in the nature thereof and thereafter diligently prosecute such proceedings to completion. If the Leasehold Mortgagee takes any of the actions in (a) thru (c) above, then such event of default shall be deemed remedied.

(d) Leasehold Mortgagee's Options Upon Non-Curable Default. Any event of default under this Lease which in the nature thereof cannot be remedied by Lessee or Leasehold Mortgagee shall be deemed to be remedied if, within ninety (90) days of receipt of Lessor's written notice setting forth the nature of such event of default, the Leasehold Mortgagee either (a) obtains title to Lessee's interest in the Leased Premises in lieu of foreclosure; or (b) commences foreclosure or other appropriate proceedings in the nature thereof and thereafter diligently prosecutes such proceedings to completion.

(e) No Obligation to Cure Rent or Monetary Default. Notwithstanding any provision of this Lease to the contrary, upon an event of default by Lessee, a Leasehold Mortgagee, as a condition to preventing a default termination of this Lease or to exercising foreclosure rights, shall not be required to pay any accrued or defaulted Basic Rent or

Additional Rent or to pay any other accrued or defaulted monetary obligations under this Lease, whether such rents or obligations are in default or have otherwise become due and payable during pendency of any foreclosure.

(f) Prior Rent or Monetary Obligations. In addition, notwithstanding Section 4.1 to the contrary, in the event that the Leased Premises are transferred pursuant to foreclosure or other transfer in lieu of or in connection with a foreclosure of any Leasehold Mortgage, then (a) any Leasehold Mortgagee, Subsequent Owner, or any successors-in-interest or assigns thereof shall have no obligation to pay any Basic Rent, Additional Rent, or other monetary obligations which have accrued or have otherwise become due and payable with respect to any periods prior to the date of such transfer nor shall the Leased Premises be further encumbered in any way by the obligation to pay any such previously accrued or due Basic Rent, Additional Rent, or other monetary obligation and (b) Basic Rent shall thereafter only be payable to the extent of 70% of available Residual Receipts and any unpaid excess of Basic Rent shall not accrue and shall otherwise be deemed forgiven by Lessor.

(g) Injunction or Bankruptcy. If any Leasehold Mortgagee is prohibited by any process or injunction issued by any court or by reason of any action by any court having jurisdiction of any bankruptcy or insolvency proceeding involving Lessor from commencing or prosecuting foreclosure or other appropriate proceedings in the nature thereof, the times specified in Sections 8.3(b) and 8.3(c) above for affecting any remedy or for commencing or prosecuting foreclosure or other proceedings shall be extended for the period of such prohibition. A Leasehold Mortgagee shall not interfere with Lessor's efforts to seek Lessee's compliance with any non-monetary obligations under this Lease.

(h) No Prior Hazardous Materials Claims. Notwithstanding Section 9.3 or any other provision of this Lease to the contrary, any indemnities or other covenants of Lessee with respect to Hazardous Materials matters shall not bind or apply to any Leasehold Mortgagee, any affiliate or assignee that becomes a Subsequent Owner, or any other Subsequent Owner. Furthermore, any Leasehold Mortgagee or other Subsequent Owner shall only be subject to the covenants (but not the indemnities) of Section 9.3 of this Lease for those Claims arising out of events or conditions first occurring during the period that such Subsequent Owner holds title to the Leased Premises and the Improvements.

(i) Replacement or Imputed Debt Service. In the event that the Leased Premises are transferred pursuant to a foreclosure or other transfer in lieu of or in connection with a foreclosure of the Construction Loan or Permanent Loan, then, for the purposes of calculating Residual Receipts, the debt service of any acquisition and/or construction financing obtained by a Subsequent Owner shall be deemed debt service paid under an Approved Financing. In addition, if the holder of the Construction Loan or Permanent Loan acquires the Leasehold Premises following a foreclosure or other transfer of or in connection with a foreclosure thereof, then, for the purposes of calculating Residual Receipts, there shall be imputed a debt service in the same amount as was payable under the Construction Loan or Permanent Loan prior to such foreclosure.

Section 8.4 Limitation on Liability of Leasehold Mortgagee. No Leasehold Mortgagee shall be or become liable to Lessor as an assignee of this Lease or otherwise unless

it expressly assumes by written instrument executed by Lessor and Leasehold Mortgagee such liability (in which event the Leasehold Mortgagee's liability shall be limited to the period of time during which it is the owner of the leasehold estate created hereby) and no assumption shall be inferred from or result from foreclosure or other appropriate proceedings in the nature thereof or as the result of any other action or remedy provided for by such Leasehold Mortgage or other instrument or from a conveyance from Lessee pursuant to which the purchaser at foreclosure or grantee shall acquire the rights and interest of Lessee under the terms of this Lease.

Section 8.5 Investor Interest. Lessor acknowledges that the original Investor is RCC Credit Facility, L.L.C., a Delaware limited liability company. Lessor further acknowledges and agrees that the interest of Investor in Lessee may be transferred as provided in Section 16.2 hereof without the requirement of obtaining any consents or approval of Lessor.

Section 8.6 Notice to Investor. Lessor shall give to Investor at the address set forth in Section 17.11 hereof a duplicate copy of all notices of default or other notices that Lessor may give to or serve in writing upon Lessee pursuant to the terms of this Lease. The address of Investor set forth in Section 17.11 may be changed upon written notice delivered to Lessor in the manner specified in Section 17.11 herein below. No notice of default given to Lessee shall be effective until the Investor receives such notice.

Section 8.7 Right of Investor to Cure. Notwithstanding any default by Lessee under this Lease, Lessor shall have no right to terminate this Lease or exercise any remedies hereunder or under applicable law or take any other enforcement action hereunder unless Lessor shall have first given Investor written notice of such default and Investor shall have failed to remedy such default or remove the general partner within the time periods specified by this Section.

Investor shall have the right, but not the obligation, at any time to pay any or all of the rental due pursuant to the terms of this Lease, and do any other act or thing required by Lessee by the terms of this Lease, to prevent a default of this Lease. Investor shall have ninety (90) days after receipt of notice from Lessor describing such default and stating that Lessee has failed to cure such default within the time required by this Lease to cure the default. All payments so made and all things so done shall be as effective to prevent a termination of this Lease as the same would have been if made and performed by Lessee instead of by Investor.

In addition to the cure period provided in this Section 8.7 above, if Investor determines that in order to cure such default Investor must remove one or more general partners of Lessee pursuant to the Amended and Restated Agreement of Limited Partnership of Lessee, Investor shall have a reasonable time after the expiration of such ninety (90) day period within which to remove such general partners(s) and to remedy such default, provided that:

(i) Investor shall have fully cured any default in the payment of any monetary obligations of Lessee under this Lease within such ninety (90)day period and shall continue to pay currently such monetary obligations when the same are due, and

(ii) Investor shall have removed such general partner(s) or commenced to remove the general partner(s) prior to or within such period, and shall be diligently prosecuting the same.

Any default under this Lease which by its nature cannot be remedied by Investor shall be deemed to be remedied if:

(i) within ninety (90) days after receiving written notice from Lessor describing the default and Lessee's failure to cure such default, or prior thereto, Investor shall have removed the general partner(s) or commenced appropriate proceedings to remove the general partner(s),

(ii) Investor shall begin and diligently continue to prosecute any such proceedings to completion,

(iii) Investor shall have fully cured any default in the payment of any monetary obligations of Lessee hereunder which does not require removal of the general partner(s), and

(iv) after removing the general partner(s), the Investor shall within a reasonable time cure all non-monetary defaults of Lessee hereunder capable of cure by Investor.

If Investor is prohibited, stayed or enjoined by any bankruptcy, insolvency or other judicial proceedings involving Lessee from removing the general partner(s), the times specified for such removal shall be extended for the period of such prohibition; provided that any Investor shall have fully cured any default in the payment of any monetary obligations of Lessee under this Lease and shall continue to pay currently such monetary obligations when the same fall due; provided, further, that such Investor shall not interfere with Lessor's efforts to seek compliance by the Lessee with any non-monetary obligations under this lease.

Section 8.8 Limitation on Liability of Investor. Investor shall not be or become liable to Lessor as an assignee of this Lease or otherwise unless it expressly assumes such liability by written instrument executed by Lessor and Investor.

Section 8.9 Estoppel Certificates. Lessor and Lessee agree that at any time and from time to time upon not less than twenty (20) days' prior written notice by the other Party, or upon request from any Leasehold Mortgagee or Investor or a permitted assignee or other interested party, Lessor or Lessee will execute, acknowledge and deliver to the other Party or to such Leasehold Mortgagee or Investor a statement in writing certifying (a) that this Lease is unmodified and in full force and effect; (b) the date through which the Rents have been paid; and (c) that, to the knowledge of the certifier (if such be the case), there is no default, set-off, defense or other claim against Lessor or Lessee, as applicable, other than those, if any, so

specified under the provisions of this Lease. It is intended that any such statement may be relied upon by any persons proposing to acquire the interest of Lessor, Lessee or any Leasehold Mortgagee or Investor, as the case may be, in this Lease or by any prospective Leasehold Mortgagee or Investor or permitted assignee of any Leasehold Mortgage or Investor.

Section 8.10 Registration of Leasehold Mortgages. Lessee shall provide written notice to Lessor of the name and address of each Leasehold Mortgagee under this Lease.

Section 8.11 Approval of Lessor. Lessor's approval of a Leasehold Mortgage proposed by Lessee in connection with a refinancing plan approved by Lessor to encumber the Leased Premises will not be unreasonably withheld or delayed and will be deemed granted if not denied with specific reasons for denial within fifteen (15) days after receipt by Lessor of request for such approval by Lessee.

Section 8.12 New Lease. In the event of the termination of this Lease prior to the natural expiration of the Term of this Lease due to a default of Lessee or operation of law (except by eminent domain), Lessor, upon written request from the holder of the Construction Loan or the Permanent Loan, shall enter into a new lease with such holder or its designee in accordance with and upon the same terms and conditions as set forth herein. In this regard, in the event of the filing of a petition in bankruptcy by the Lessee, and the Lessee rejects this Lease under the then applicable provisions of the Bankruptcy Code, Lessor shall, upon the request of the holder of the Construction Loan or the Permanent Loan, affirm this Lease, and Lessor will enter into a new lease on the same terms and conditions set forth herein with such holder or its designee immediately upon Lessee's rejection of this Lease. In the event of the filing of a petition in bankruptcy by the Lessor, and the Lessor rejects this Lease and the Lessee does not affirm it, the holder of the Construction Loan or the Permanent Loan will have the authority to affirm this Lease on behalf of the Lessee and to keep the Lease in full force and effect. Upon entering into any new lease pursuant to this Section 8.12, the provisions of Section 8.3(e) through 8.3(i), and 8.4 shall apply to the new lease as if the new lease were a transfer of the leasehold pursuant to a foreclosure, or other transfer in lieu of or in connection with a foreclosure, of the Construction Loan or the Permanent Loan.

ARTICLE 9
REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 9.1 Representations, Warranties and Covenants of Lessee. As an inducement to Lessor to enter into and to proceed under this Lease, Lessee warrants and represents to Lessor as follows, which warranties, representations and covenants are true and correct as of the date of this Lease:

(a) Lessee has the right, power and authority to enter into this Lease and the right, power and authority to comply with the terms, obligations, provisions and conditions contained in this Lease;

(b) the entry by Lessee into this Lease and the performance of all of the terms, provisions and conditions contained herein will not, or with the giving of notice or the passage of time, or both, would not, violate or cause a breach or default under any other agreements to which Lessee is a party or by which it is bound;

(c) Lessee (i) shall not cause or permit any Hazardous Materials to be placed, held, located or disposed of on, under or at the Leased Premises or any part thereof, except in commercially reasonable amounts used in the construction and operation of the Improvements and in accordance with Legal Requirements, and (ii) shall not cause or permit any Hazardous Materials contamination of the Leased Premises or any part thereof; provided, however, that Lessee shall not be in violation of this Subsection 9.1(c) or otherwise be liable or obligated hereunder for any of the foregoing occasioned solely by reason of the existence of soils, water or materials already located on the Leased Premises as of the Commencement Date;

(d) at all times during the Term, Lessee or its authorized representative shall use, maintain and operate the PHA-Assisted Units in accordance with the Annual Contributions Contract and all other applicable Public Housing Requirements, and the remainder of the Leased Premises and the Improvements thereon in accordance with all other applicable requirements; and

(e) Lessee acknowledges that any Transfer of the HOPE VI Grant, if any, by Lessor to Lessee, whether hereunder, pursuant to the HOPE VI Grant Agreement or any other agreement, shall not be or be deemed to be an assignment to Lessee of the HOPE VI Grant, and Lessee shall not succeed to any rights or benefits of Lessor under the HOPE VI Grant Agreement, ACC or the Mixed Finance Amendment to the ACC or attain any privileges, authorities, interests or rights in or under the HOPE VI Grant Agreement, ACC or the Mixed Finance Amendment to the ACC by reason thereof.

Section 9.2 Representations, Warranties and Covenants of Lessor. As an inducement to Lessee to enter into and to proceed under this Lease, Lessor warrants and represents to Lessee as follows, which warranties, representations and covenants are true and correct as of the date of this Lease:

(a) Lessor has the right, power and authority to enter into this Lease and the right, power and authority to comply with the terms, obligations, provisions and conditions contained in this Lease;

(b) Lessor's execution of this Lease and the performance of its obligations hereunder, does not violate any agreement to which the Lessor is a party, including, without limitation, the HOPE VI Grant Agreement.

Section 9.3 Hazardous Materials.

(a) Certain Covenants and Agreements. The Lessee hereby covenants and agrees that:

(1) The Lessee shall not knowingly permit the Improvements or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal or transportation of Hazardous Materials or otherwise knowingly permit the presence of Hazardous Materials in, on or under the Improvements in violation of any applicable law; provided however that, for the purposes of this subsection (a) only, the term "Hazardous Materials" shall not include: materials located in, on or under the Leased Premises as of the date hereof, materials in reasonable quantities for lawful use in the demolition of the Existing Improvements and other work required under the PSA; reasonable quantities of gardening materials, household products, construction supplies and materials, office supply products or janitorial supply products of the type customarily used in construction, maintenance, demolition, or associated with buildings and grounds, or typically used in household activities or the commercial establishments on the Leased Premises, so long as used in a lawful manner; certain substances which may contain chemicals listed by the State of California pursuant to Health and Safety Code Sections 25249.8 et seq., which substances are commonly used in reasonable quantities and in a lawful manner by a significant portion of the population living within the region of the Leased Premises.

(2) The Lessee shall keep and maintain the Improvements and each portion thereof in compliance with, and shall not cause or permit the Improvements or any portion thereof to be in violation of, any Hazardous Materials Laws;

(3) Upon receiving actual knowledge of the same the Lessee shall immediately advise the Lessor in writing of: (A) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against the Lessee or the Improvements pursuant to any applicable Hazardous Materials Laws; (B) any and all claims made or threatened by any third party against the Lessee or the Improvements relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in the foregoing clause (A) and this clause (B) are hereinafter referred to as "Hazardous Materials Claims"); (C) the presence of any Hazardous Materials in, on or under the Improvements in such quantities which require reporting to a government agency; or (D) the Lessee's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Improvements classified as "borderzone property" under the provisions of California Health and Safety Code, Sections 25220 et seq., or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability or use of the Leased Premises under any Hazardous Materials Laws. If the Lessor reasonably determines that the Lessee is not adequately responding to a Hazardous Material Claim, the Lessor shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any such Hazardous Materials Claims and to have its reasonable attorney's fees in connection therewith paid by the Lessee.

(4) Other than pursuant to the Site Mitigation Plan, the Lessee shall not, without the Lessor's prior written consent, which shall not be unreasonably withheld or delayed, take any remedial action in response to the presence of any Hazardous Materials on, under, or about the Improvements (other than in emergency situations or as required by governmental agencies having jurisdiction), nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Materials Claims.

(b) The Lessee hereby acknowledges and agrees that the Lessee's duties, obligations and liabilities under this Lease are in no way limited or otherwise affected by any information the Lessor may have concerning the Improvements and/or the presence within the Improvements of any Hazardous Materials, whether the Lessor obtained such information from the Lessee or from its own investigations.

(c) Indemnification between the Lessor and Lessee for Hazardous Materials in connection with the Preconstruction Work, as defined in the PSA, shall be as provided in the PSA, subject to subsections (d) and (e) below.

(d) Notwithstanding anything to the contrary in the PSA, upon completion of the Preconstruction Work as defined in the PSA for the East Block and the West Block, respectively, the Lessee hereby agrees to indemnify, protect, hold harmless and defend the Lessor, its board members, officers, directors, employees, insurers, sureties, attorneys, agents and contractors, from and against any and all claims, demands, losses, damages, liabilities, fines, penalties, charges, causes of action, administrative and judicial proceedings and orders, settlements, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, attorneys' fees, expert witness fees and costs) (hereinafter, "Claims"), arising directly or indirectly, in whole or in part, out of: (1) any action or omission of the Lessee or any other person or entity acting under the authority or control of the Lessee, other than any indemnitee, relating to Hazardous Materials on, under or about the Improvements, including the failure to comply with any Hazardous Materials Law or relating in any way whatsoever to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation or disposal of Hazardous Materials into, on, under or from the Improvements but excluding any matter with respect to Known Hazardous Materials covered by the Lessor's Indemnity provided under Section 9.3(e); or (2) the presence in, on or under the Improvements of any Hazardous Materials or any releases or discharges of any Hazardous Materials into, on, under or from the Improvements, excluding any pre-existing Hazardous Materials on the Leased Premises identified in the Site Mitigation Plan attached hereto as Exhibit F, as that plan may be mutually amended by the parties ("Known Hazardous Materials") (except to the extent that any Claim in connection with Known Hazardous Materials results from the negligent act or omission of the Lessee). The Lessee shall not be obligated to indemnify the Lessor under this provision with respect to, and to the extent of, the negligence or willful misconduct of the Lessor, its contractors, anyone directly or indirectly employed by them or anyone for whose acts they may be liable.

(e) Notwithstanding anything to the contrary in the PSA, upon completion of the Preconstruction Work as defined in the PSA for the East Block and the West Block, respectively, the Lessor hereby agrees to indemnify, protect, hold harmless and defend Lessee,

its partners, shareholders, officers, directors, employees, insurers, sureties, attorneys, agents and contractors, from and against any and all claims, demands, losses, damages, liabilities, fines, penalties, charges, causes of action, administrative and judicial proceedings and orders, settlements, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, attorneys' fees, expert witness fees and costs), arising out of the presence of any Known Hazardous Materials on the Leased Premises; provided, however, that the Lessor shall not be obligated to indemnify Lessee under this provision with respect to, or to the extent of, the negligence or willful misconduct of the Lessee, its contractors, anyone directly or indirectly employed by them or anyone for whose acts they may be liable. In the event of foreclosure, deed-in-lieu of foreclosure, or appointment of a receiver by the ~~Bank~~holder of the Construction Loan or Permanent Loan, Lessor agrees to indemnify ~~Bank~~such holder of the Construction Loan or Permanent Loan to the same extent as Lessee is indemnified under this provision.

Section 9.4 As-Is Conveyance.

(a) Any deed or ground lease to Lessee shall be made "AS IS," with no warranties or representations by the Lessor concerning the condition of the Leased Premises, including the presence or absence of any Hazardous Materials. Lessee hereby agrees and acknowledges that except in the event of any fraud, misrepresentation, or withholding of information by Lessor: (i) neither Lessor, nor anyone acting for or on behalf of Lessor, has made any representation, statement, warranty or promise to Lessee concerning the development potential or condition of the Leased Premises; (ii) in entering into this Lease, Lessee has not relied on any representation, statement or warranty of Lessor, or anyone acting for or on behalf of Lessor, other than as may expressly be contained in writing in this Lease; (iii) all matters concerning the Leased Premises have been or shall be independently verified by Lessee and that Lessee shall lease the Leased Premises on Lessee's own prior examination thereof; and (iv) THAT LESSEE IS LEASING THE LEASED PREMISES IN AN "AS IS" PHYSICAL CONDITION AND IN AN "AS IS" STATE OF REPAIR.

(b) General Release. Subject to Section 9.4(a) above and except for Lessor's obligations arising under Section 9.3(e) above or any matters covered by Lessor's indemnity under Section 3.2 of the DDA, Lessee and its owners, employees, agents, assigns and successors agree that upon the Closing, Lessee shall be deemed conclusively to have released and discharged Lessor and its agents, employees, trustees, assigns and successors, from any and all damages, losses, demands, claims, debts, liabilities, obligations, causes of action and rights, whether known or unknown, by Lessee regarding the Leased Premises, including, but not limited to, the environmental condition of the Leased Premises.

(c) Waiver of Civil Code § 1542. Lessee agrees that, with respect to the General Release contained in Section 9.4(b) above, the General Release extends to all matters regarding the Leased Premises, whether or not claimed or suspected, to and including the date of execution hereof, and constitutes a waiver of each and all the provisions of the California Civil Code § 1542, which reads as follows:

"A GENERAL RELEASE DOES NOT EXTEND
TO CLAIMS WHICH THE CREDITOR DOES

NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

Lessee herein acknowledges that the effect and import of the provisions of Civil Code § 1542 have been explained to it by its own counsel. Lessee understands and acknowledges the significance and the consequence of such specific waiver of unknown claims and hereby assumes full responsibility for any injuries, damages, losses or liabilities that it may hereinafter incur from the waiver of these unknown claims.

Section 9.5 Environmental Work. The Lessee shall be responsible for performing the work of any investigation and remediation on the Leased Premises which may be required in order to develop the Leased Premises, except for the remediation related to the demolition of the buildings located on the site prior to the conveyance to Lessee, which shall be the responsibility of the Lessor. Other than any Hazardous Substances disclosed in the Site Mitigation Plan and the required remediation described therein, the determination as to whether any such remediation is needed, and as to the scope and methodology thereof, shall be made by mutual agreement of the governmental agency with responsibility for monitoring such remediation, the Lessor and the Lessee. The Lessee shall notify the Lessor promptly upon discovery of any actionable levels of Hazardous Substances, and upon any release thereof, and shall consult with the Lessor in order to establish the extent of remediation to be undertaken and the procedures by which remediation thereof shall take place. The Lessee shall comply with, and shall cause its agents and contractors to comply with, all laws regarding the use, removal, storage, transportation, disposal and remediation of Hazardous Substances. The investigation and remediation work shall be carried out in accordance with all applicable laws (including Hazardous Materials Laws) and such other procedures and processes as may be described in this Lease. Notwithstanding the foregoing, Lessor shall bear the cost of any remediation expense covered by Lessor's indemnity pursuant to Section 9.3(e) and this Section 9.5 shall not be construed to limit such indemnity.

ARTICLE 10
EMINENT DOMAIN

Section 10.1 Termination of Lease. Lessor and Lessee agree that, in the event of a Taking such that Lessee reasonably determines that the Leased Premises cannot continue to be operated, at reasonable cost, for its then-current use, then, subject to the rights of Leasehold Mortgagees, this Lease shall, at Lessee's sole option, terminate as of the Taking Date.

Section 10.2 Continuation of Lease and Presumption of Restoration. Lessor and Lessee agree that, in the event of a Taking that does not result in the termination of this Lease pursuant to Section 10.1 above, this Lease shall continue in effect as to the remainder of the Leased Premises, and the Net Condemnation Award will be disbursed in accordance with Section 10.4 below to Lessee and/or any Leasehold Mortgagee, if the terms of the applicable

Leasehold Mortgage so require, and shall be used so as to make the same a complete, unified and efficient operating unit as nearly as reasonably possible to the condition existing prior to the Taking, subject to any applicable requirements of the Leasehold Mortgagee.

Section 10.3 Temporary Taking. If there shall be a temporary Taking with respect to all or any part of the Leased Premises or of Lessee's interest in this Lease, then the Term shall not be reduced and Lessee shall continue to pay all Rents, Impositions and other charges required herein, without reduction or abatement thereof at the times herein specified; provided, however, that Lessee shall not be required to perform such obligations that Lessee is prevented from performing by reason of such temporary Taking. Any award payable for or on account of such temporary Taking shall be paid to Lessee.

Section 10.4 Award. Prior to the Closing, if there is a Taking, whether whole or partial Lessor shall be entitled to receive and retain any Net Condemnation Award. After the Closing, subject to the rights of Leasehold Mortgagees and the ACC, if there is a Taking, whether whole or partial, Lessor and Lessee shall be entitled to receive and retain such separate awards and portions of lump sum awards as may be allocated to their respective interests in any condemnation proceedings, or as may be otherwise agreed, taking into consideration the fact that Lessor's interest in the Leased Premises is limited to the land (exclusive of the Improvements), and a reversionary interest in the Improvements upon the expiration of the Term ("Lessor's Interest). If the Leased Premises shall be restored as is contemplated in Section 10.2 above, Lessee shall be entitled to recover the costs and expenses incurred in such restoration out of any Net Condemnation Award. Thereafter, if the condemning authority does not make separate awards, the Parties agree that any Net Condemnation Award will be allocated on a proportionate basis, with the value of Lessor's Interest paid to Lessor and the remainder of the Net Condemnation Award being paid to Lessee. If the Parties are unable to agree as to the exact amount of such allocation, then each Party shall select an independent M.A.I. real estate appraiser (an "Appraiser"). Each Appraiser shall separately determine the amount of the balance of the Net Condemnation Award that is to be allocated to the interests of each Party. If the percentage of the balance of the Net Condemnation Award each Appraiser allocates to Lessor (a) are within ten percent (10%) of each other, the two allocations shall be averaged, and such average shall be the final allocation of the Net Condemnation Award, or (b) are not within ten percent (10%) of each other, the two Appraisers shall then select a third Appraiser, who shall independently allocate the Net Condemnation Award between Lessor and Lessee, and the middle of such three allocations shall be the final allocation of the Net Condemnation Award. Notwithstanding the foregoing, if a Taking occurs while a Leasehold Mortgage is in effect, condemnation proceeds shall be applied in accordance with the terms of that lender's Leasehold Mortgage.

Section 10.5 Joinder. If a Leasehold Mortgage exists, the Leasehold Mortgagees, to the extent permitted by law, shall be made a party to any Taking proceeding.

ARTICLE 11
DAMAGE OR DESTRUCTION

Section 11.1 Damage or Destruction to Leased Premises. Lessee shall give prompt written notice to Lessor after the occurrence of any fire, earthquake, act of God or other casualty to or in connection with the Leased Premises, the Improvements or any portion thereof (hereinafter sometimes referred to as a "Casualty"). Subject to Sections 11.2 and 11.4 below and the rights of any Leasehold Mortgagees, if during the Term the Improvements shall be damaged or destroyed by Casualty, Lessee shall repair or restore the Improvements, so long as Lessee determines, in its sole discretion, that it is feasible to do so and in such event Lessee provides or causes to be provided sufficient additional funds which, when added to such insurance proceeds, will fully effect such repair or restoration. Upon the occurrence of any such Casualty, Lessee, promptly and with all due diligence, shall apply for and collect all applicable insurance proceeds recoverable with respect to such Casualty. In the event that Lessee shall determine, subject to the rights of the Leasehold Mortgagees, by notice to Lessor given within thirty (30) days after receipt by Lessee of any such insurance proceeds, that it is not economically practical to restore the Improvements and/or the Leased Premises to substantially the same condition in which they existed prior to the occurrence of such Casualty, then Lessee may terminate this Lease as of a date that is not less than thirty (30) days after the date of such notice. If Lessee terminates this Lease pursuant to this Section 11.1, Lessee shall surrender possession of the Leased Premises to Lessor immediately and assign to Lessor (or, if same has already been received by Lessee, pay to Lessor) all of its right, title and interest in and to the proceeds from Lessee's insurance upon the Leased Premises, subject to the prior rights of any Leasehold Mortgagee therein, as referenced in Section 11.3 below. Notwithstanding the foregoing, if a Casualty occurs while a Leasehold Mortgage is in effect, insurance proceeds shall be delivered to the lender in accordance with the terms of that lender's Leasehold Mortgage.

Section 11.2 Damage or Destruction Near End of Term. If, during the last seven (7) years of the Term, the Improvements shall be damaged by Casualty, then Lessee shall have the option, to be exercised within one hundred twenty (120) days after such Casualty:

(a) to repair or restore the Improvements as hereinabove provided in this Article 11; or

(b) subject to the rights of Leasehold Mortgagees, to terminate this Lease by notice to Lessor, which termination shall be deemed to be effective as of the date of the Casualty. If Lessee terminates this Lease pursuant to this Section 11.2, Lessee shall surrender possession of the Leased Premises to Lessor immediately and assign to Lessor (or, if same has already been received by Lessee, pay to Lessor) all of its right, title and interest in and to the proceeds from Lessee's insurance upon the Leased Premises, subject to the prior rights of any Leasehold Mortgagee therein, as referenced in Section 11.3 below.

Section 11.3 Distribution of Insurance Proceeds. In the event that insurance proceeds are not applied to restoration of the Property and this Lease is terminated pursuant to Sections 11.1 or 11.2 hereof, the insurance proceeds received as the result of such Casualty shall be distributed to lenders in accordance with that lender's Leasehold Mortgage if such Casualty occurs while that lender's Leasehold Mortgage is in effect and otherwise in accordance with Section 11.1 hereof.

Section 11.4 HUD Provision. Notwithstanding any other provision in this Lease, if any provision herein conflicts with Section 10 of the Mixed Finance Amendment to the ACC, of approximately even date herewith, the provisions of Section 10 of the Mixed Finance Amendment will control.

ARTICLE 12
EVENTS OF DEFAULT

Section 12.1 Events of Default. Each of the following shall be an "Event of Default" by Lessee hereunder:

(a) failure by Lessee to pay any Rent when due or to pay or cause to be paid any Impositions, insurance premiums or other liquidated sums of money herein stipulated to be paid by Lessee, if such failure shall continue for a period of fifteen (15) days after notice thereof has been given by Lessor to Lessee;

(b) failure by Lessee to perform or observe any of the provisions of this Lease stipulated in this Lease to be observed and performed by Lessee, if such failure shall continue for a period of thirty (30) days after notice thereof has been given by Lessor to Lessee; provided, however, that if any such failure cannot reasonably be cured within such thirty (30)-day period, then Lessor shall not have the right to terminate this Lease or Lessee's right to possession hereunder so long as Lessee promptly commences the curing of any such failure and thereafter proceeds in good faith and with due diligence to remedy and correct such failure within a reasonable period of time; provided, however, that such period shall not extend for more than one hundred twenty (120) days after the date of Lessor's notice to Lessee;

(c) the failure of Lessee to cure, within the period prescribed by statute, any Notice of Default recorded by the holder of a Leasehold Mortgage on the Lessee's Estate;

(d) the subjection of any right or interest of Lessee in this Lease to attachment, execution or other levy, or to seizure under legal process, if not released within sixty (60) days; provided that the foreclosure of any Leasehold Mortgage shall not be construed as an Event of Default within the meaning of this Subsection 12.1(d);

(e) the appointment of a receiver, not including receivership pursuant to any Leasehold Mortgage, to take possession of Lessee's Estate or of Lessee's operations on the Leased Premises for any reason, if such receivership is not terminated, dismissed or vacated within ninety (90) days after the appointment of the receiver;

(f) the filing by Lessee of a petition for voluntary bankruptcy under the Bankruptcy Code of the United States or any similar law, state or Federal, now or hereafter in effect, if such petition is not dismissed within sixty (60) days of the date of filing;

(g) the filing against Lessee of any involuntary proceedings under such Bankruptcy Code or similar law, if such proceedings have not been vacated or stayed within ninety (90) days of the date of filing;

(h) the appointment of a trustee or receiver for Lessee or for all or the major part of Lessee's property or the Leased Premises, in any involuntary proceeding, not including pursuant to any Leasehold Mortgage, or taking of jurisdiction by any court over all or the major part of Lessee's property or the Leased Premises in any involuntary proceeding for the reorganization, dissolution, liquidation or winding up of Lessee, if such trustee or receiver shall not be discharged or such jurisdiction relinquished or vacated or stayed on appeal or otherwise stayed within ninety (90) days; or

(i) a general assignment by Lessee for the benefit of creditors or Lessee's admittance in writing of its insolvency or inability to pay its debts generally as they become due or Lessee's consent to the appointment of a receiver or trustee or liquidator for Lessee, all or the major part of its property, or the Leased Premises.

Section 12.2 Rights and Remedies.

(a) At any time after the occurrence of an Event of Default hereunder, Lessor, subject in all respects to the provisions of this Lease with respect to Lessor's rights to cure defaults by Lessee and with respect to the rights of Investor and any Leasehold Mortgagees, and subject further to the provisions of Section 12.3 of this Lease, may terminate this Lease by giving Lessee written notice thereof (with a copy of such notice to the Leasehold Mortgagees), setting forth in such notice an effective date for termination which is not less than thirty (30) days after the date of such notice, in which event this Lease and Lessee's Estate created hereby and all interest of Lessee and all parties claiming by, through or under Lessee shall automatically terminate upon the effective date for termination as set forth in such notice, with the same force and effect and to the same extent as if the effective date of such notice had been the date originally fixed in Article 2 hereof for the expiration of the Term. In such event, Lessor, its agents or representatives, shall have the right, without further demand or notice, to re-enter and take possession of the Leased Premises (including all buildings and other Improvements comprising any part thereof) at any time from and after the effective termination date without being deemed guilty of any manner of trespass and without prejudice to any remedies for arrears of rent or existing breaches of covenants; provided that Lessor shall not be entitled to disturb possession of any Tenants or others in possession pursuant to Tenant Leases with Lessee so long as such Tenants or others are not in default thereunder and attorn to Lessor as their lessor.

(b) Upon the exercise of Lessor's remedies pursuant to this Section 12.2, Lessee shall execute such releases, deeds and other instruments in recordable form as Lessor shall reasonably request in order to accurately set forth of record the then current status of Lessee's Estate and Lessee's rights hereunder.

Section 12.3 Deficiency Judgments. Lessor, for itself and for each and every succeeding owner of Lessor's Estate in the Leased Premises, agrees that it shall never be entitled to seek a personal judgment against Lessee or its partners and that (a) upon any Event

of Default hereunder, the rights of Lessor to enforce the obligations of Lessee, its successors or assigns, or to collect any judgment, shall be limited to the termination of this Lease and of Lessee's Estate and the enforcement of any other rights and remedies specifically granted to Lessor hereunder, provided, however, that the limitations set forth in this Section 12.3 shall not be applicable to (i) fraud, (ii) misappropriation of any Net Condemnation Award or insurance proceeds, or (iii) misappropriation of the HOPE VI Grant or any other funds that Lessee now or hereafter holds or controls for the benefit of or otherwise belonging to Lessor.

Section 12.4 Limitations on Remedies. So long as Lessor is a partner of Lessee, has the right to appoint any members or Directors of a partner of Lessee, or otherwise maintains the right to control or participate in the direction of the activities of a partner of Lessee, Lessor's remedies in the event of a default under this Lease shall be limited to seeking specific performance of any duties, obligations or liabilities of Lessee hereunder and Lessor hereby waives all other rights and remedies otherwise available hereunder or under applicable law upon a default by Lessee hereunder, including, without limitation, the right to terminate this Lease, seek possession of the Leased Premises by appointment of a receiver, self help or otherwise, or to seek damages against Lessee or any partners of Lessee.

Section 12.5 Default by Lessor.

(a) Events of Default. Lessor shall be in default of this Lease if it fails to perform any provision of this Lease that it is obligated to perform or if any of Lessor's representations or warranties is untrue or becomes untrue in any material respect, and if the failure to perform or the failure of such representation or warranty is not cured within thirty (30) days after written notice of the default has been given to Lessor. If the default cannot reasonably be cured within thirty (30) days, Lessor shall not be in default of this Lease if Lessor commences to cure the default within such thirty (30)-day period and diligently and in good faith continues to cure the default until completion.

(b) Right to Cure; Lessee's Remedies. Subject to Section 12.6 below, if Lessor shall have failed to cure a default by Lessor after expiration of the applicable time for cure of a particular default, Lessee, at its election, but without obligation therefor (i) may seek specific performance of any obligation of Lessor, after which Lessee shall retain, and may exercise and enforce, any and all rights that Lessee may have against Lessor as a result of such default, (ii) from time to time without releasing Lessor in whole or in part from the obligations to be performed by Lessor hereunder, may cure the default at Lessor's cost, (iii) may terminate this Lease, and/or (iv) may exercise any other remedy given hereunder or now or hereafter existing at law or in equity. Any reasonable costs incurred by Lessee in order to cure such a default by Lessor shall be due immediately from Lessor, together with interest, and may be offset against any amounts due from Lessee to Lessor.

Section 12.6 HUD Cure Rights in Event of Lessor Default.

(a) Lessee shall give HUD a duplicate copy of all notices of default or other notices that Lessee may give to or serve in writing upon Lessor pursuant to the terms of this Lease. No notice by Lessee under this Lease shall be effective unless or until a copy of such notice has been provided to HUD.

(b) HUD, at its option, at any time within sixty (60) days following expiration of the right of Lessor to cure any default under this Lease, may pay any amount or do any act or thing required of Lessor by the terms of this Lease. All payments made and all acts performed by HUD within such sixty (60)-day period will be effective to prevent a termination of this Lease to the same extent as if they had been performed by Lessor.

Section 12.7 Notices. Notices given by Lessor under Section 12.1 or by Lessee under Section 12.5 or Section 12.6 shall specify the alleged default and the applicable Lease provisions, and shall demand that Lessee or Lessor, as applicable, perform the appropriate provisions of this Lease within the applicable period of time for cure. No such notice shall be deemed a forfeiture or termination of this Lease unless expressly set forth in such notice.

ARTICLE 13
QUIET ENJOYMENT AND POSSESSION; INSPECTIONS

Section 13.1 Quiet Enjoyment. Lessor covenants and warrants that Lessee shall peaceably and quietly have, hold, occupy, use and enjoy, and shall have the full, exclusive and unrestricted use and enjoyment of, all of the Leased Premises during the Term, subject only to the provisions of this Lease and all applicable Legal Requirements.

Section 13.2 Lessor's Right of Inspection. Notwithstanding Section 13.1 above, Lessor, in person or through its agents, upon at least 48 hours prior written notice to Lessee, shall have the right, subject to the rights of Tenants, to enter upon the Leased Premises for purposes of reasonable inspections performed during reasonable business hours in order to assure compliance by Lessee with its obligations under this Lease.

ARTICLE 14
VACATION OF LEASED PREMISES

Lessee covenants that upon any termination of this Lease, whether by lapse of time or because of any of the conditions or provisions contained herein, Lessee will peaceably and quietly yield and surrender possession of the Leased Premises to Lessor. The foregoing, however, will be subject to the rights of Tenants or others in possession pursuant to Tenant Leases with Lessee, provided that such Tenants are not in default thereunder and attorn to Lessor as their lessor. An action of forcible detainer shall lie if Lessee holds over after a demand for possession is made by Lessor.

ARTICLE 15
NON-MERGER

Except upon expiration of the Term or upon termination of this Lease pursuant to an express right of termination set forth herein, there shall be no merger of either this Lease or Lessee's Estate created hereunder with the fee estate of the Leased Premises or any part

thereof by reason of the fact that the same person may acquire, own or hold, directly or indirectly, (a) this Lease, Lessee's Estate created hereunder or any interest in this Lease or Lessee's Estate (including the Improvements), and (b) the fee estate in the Leased Premises or any part thereof or any interest in such fee estate (including the Improvements), unless and until all persons, including any assignee of Lessor, having an interest in (i) this Lease or Lessee's Estate created hereunder, and (ii) the fee estate in the Leased Premises or any part thereof, shall join in a written instrument effecting such merger and shall duly record the same.

ARTICLE 16
ASSIGNMENTS AND TRANSFERS

Section 16.1 Consent Required. Except as expressly provided herein or as expressly permitted by, and subject to the terms and conditions of, the Public Housing Requirements Lessee shall not, without the prior written consent of HUD and Lessor, assign this Lease or any interest therein ("Transfer"). So long as the Leased Premises are subject to the Declaration of Trust, a Transfer shall be deemed to include any attempt by Lessee to (a) demolish all or any portion of the Leased Premises after construction of the Improvements; (b) make or permit any voluntary or involuntary, total or partial, sale, lease, assignment, conveyance, mortgage, pledge, encumbrance, or other transfer of any or all of the Leased Premises, the Improvements, or the PHA-Assisted Replacement Units; or (c) transfer, convey or assign (i) any interest of a managing member, general partner, or controlling affiliate or stockholder (any such interest being referred to as a "Controlling Interest") in the Lessee or (ii) a Controlling Interest in any entity which has a Controlling Interest in the Lessee , or (iii) prior to payment in full of all equity contributions described in the approved evidentiary documents, any other interest in the Lessee, or in any partner or member thereof.

Section 16.2 Limitations on Consent Requirement. Notwithstanding the foregoing:

(a) The consent of neither HUD nor the Lessor shall be required for:

(1) a lease of any Unit at the Leased Premises, subject to the terms and conditions of the Public Housing Requirements;

(2) Mortgage of Lessee's interest in the Leased Premises and Improvements to any approved Leasehold Mortgagee, and transfer of the Leased Premises and Improvements to such Leasehold Mortgagee by foreclosure or deed-in-lieu of foreclosure (or the leasehold equivalent thereof), or to a third-party purchaser pursuant to a foreclosure sale (or the leasehold equivalent thereof), provided that any such transfer shall be subject to the terms of the Declaration of Trust;

(3) conversion of the Construction Loan into the Permanent Loan, as described in the definition of Approved Financing under Section 1.1 herein;

(4) withdrawal of BRIDGE Housing Ventures, Inc. as general partner and conversion of the interest of North Beach Housing, Inc., a California nonprofit public benefit corporation, from Class B Special Limited Partner to general partner, after

receipt of 501(c)(3) federal tax-exempt status, so long as Lessor has approved its articles of incorporation and bylaws and any amendments thereto, a certificate of good standing from the Secretary of State's Office and a 501(c)(3) determination letter from the Internal Revenue Service, such approval not to be unreasonably withheld or delayed;

(5) admission of North Beach Community Associates, LLC, as a Class B Special Limited Partner;

(6) withdrawal of North Beach Development Associates, LLC, as a Class B Special Limited Partner;

(7) after Closing, (i) the transfer of any limited partner interests in Lessee after payment in full of all equity contributions described in the evidentiary documents approved by HUD under the Mixed Finance Amendment to the Annual Contributions Contract, or (ii) the transfer or any limited partner interests to an entity whose general partner or managing member is an affiliate of Related Capital Company;

(8) conveyance or dedication of land for use as streets, alleys, or other public rights-of-way, and grants and easements for the establishment, operation, and maintenance of utility services;

(9) subordinate liens created in connection with purchase or financing of replacements or repairs necessary for the normal use and operation of the Improvements;

(10) normal uses and encumbrances associated with the operation of the Leased Premises and Improvements.

(b) The consent of HUD shall not be required for the lease of community space in the Leased Premises to providers of services to residents of the Leased Premises, and the consent of Lessor shall not be unreasonably withheld or delayed for such a lease of community space in the Leased Premises.

(c) Lessor agrees that it shall not unreasonably withhold, delay or condition its approval of an internal reorganization of the corporate or partnership structure of the Lessee or any of the partners, members or stockholders of the Lessee, or any assignment of this Lease in connection therewith. In addition, Lessor shall not unreasonably withhold its consent to the designation by the construction lender of a substitute general partner of Lessee after any foreclosure by that construction lender of its security interest in the interest of the general partner of Lessee.

Section 16.3 Subsequent Assignment. In cases where Lessor's consent is required, Lessor's consent to one assignment will not waive the requirement of its consent to any subsequent assignment.

Section 16.4 Request for Consent. If Lessee requests Lessor's consent to a specific assignment, Lessee shall provide to Lessor such information as may reasonably be required by Lessor and, if applicable, by HUD.

Section 16.5 Grant of Purchase Option to Lessor or Affiliate. Notwithstanding anything to the contrary set forth in any other provision of this Lease, nothing shall prohibit (i) the granting of a purchase option and/or right of first refusal to the Lessor, or its affiliate, to purchase the Lessee's Estate as provided in the Purchase Option Agreement and/or (ii) the exercise of such Option in accordance with the Purchase Option Agreement.

Section 16.6 Grant of Purchase Option to BRIDGE Housing Corporation or Affiliates. Notwithstanding anything to the contrary set forth in any other provision of this Lease, nothing shall prohibit (i) the granting of a purchase option and/or right of first refusal to BRIDGE, or any entity owned or controlled by or under common control with BRIDGE, to purchase Lessee's Estate, as provided in the Purchase Option Agreement and/or (ii) the exercise of such Option in accordance with the Purchase Option Agreement.

ARTICLE 17
MISCELLANEOUS PROVISIONS

Section 17.1 Entire Agreement: Modifications. This Lease supersedes all prior discussions and agreements between the Parties with respect to the leasing of the Leased Premises. This Lease contains the sole and entire understanding between the parties with respect to the leasing of the Leased Premises pursuant to this Lease, and all promises, inducements, offers, solicitations, agreements, representations and warranties heretofore made between the Parties, if any, are merged into this Lease. This Lease shall not be modified or amended in any respect, except by written instrument specifically referencing such a modification or amendment which is executed by or on behalf of the Parties in the same manner as this Lease is executed and to which HUD and each Leasehold Mortgagee has consented in writing.

Section 17.2 Governing Law. This Lease, and the rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the substantive laws of the State of California.

Section 17.3 Binding Effect. This Lease shall inure to the benefit of and be binding upon the Parties hereto, their heirs, successors, administrators, executors and permitted assigns.

Section 17.4 Severability. In the event any provision or portion of this Lease is held by any court of competent jurisdiction to be invalid or unenforceable, such holdings shall not affect the remainder hereof, and the remaining provisions shall continue in full force and effect to the same extent as would have been the case had such invalid or unenforceable provision or portion never been a part hereof, except to the extent the rights and obligations of the parties have been materially altered by such unenforceability.

Section 17.5 Further Assurances. From and after the date of this Lease, Lessor and Lessee, at the request of the other Party, shall make, execute and deliver or obtain and deliver all such affidavits, deeds, certificates, resolutions and other instruments and documents, and shall do or cause to be done all such other things that either Party may reasonably require in order to effectuate the provisions and the intention of this Lease

.

Section 17.6 Captions. All captions, headings, paragraphs, subparagraphs, letters and other reference captions are solely for the purpose of facilitating convenient reference to this Lease, shall not supplement, limit or otherwise vary the text of this Lease in any respect, and shall be wholly disregarded when interpreting the meaning of any terms or provisions hereof. All references to particular articles, sections, subsections, paragraphs and subparagraphs by number refer to the text of such items as so numbered in this Lease.

Section 17.7 Gender. Words of any gender used in this Lease shall be held and construed to include any other gender, and words of a singular number shall be held to include the plural, and vice-versa, unless the context requires otherwise.

Section 17.8 Exhibits. Each and every exhibit referred to or otherwise mentioned in this Lease is attached to this Lease and is and shall be construed to be made a part of this Lease by such reference or other mention at each point at which such reference or other mention occurs, in the same manner and with the same effect as if each exhibit were set forth in full at length every time it is referred to and otherwise mentioned.

Section 17.9 References. All references to paragraphs or subparagraphs shall be deemed to refer to the appropriate paragraph or subparagraph of this Lease. Unless otherwise specified in this Lease, the terms "herein", "hereof", "hereinafter", "hereunder" and other terms of like or similar import, shall be deemed to refer to this Lease as a whole, and not to any particular paragraph or subparagraph hereof.

Section 17.10 Rights Cumulative. Except as expressly limited by the terms of this Lease, all rights, powers and privileges conferred hereunder shall be cumulative and not restrictive of those provided at law or in equity.

Section 17.11 Notices. All notices, requests, demands, or other communications required or permitted to be given hereunder shall be in writing and shall be addressed and delivered by hand or by certified mail, return receipt requested, or by Federal Express, or by hand delivery by a recognized, reputable courier, to each party at the addresses set forth below. Any such notice, request, demand or other communication shall be considered given or delivered, as the case may be, on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which proper notice was not given shall be deemed to be receipt of the notice, request, demand or other communication. By giving prior written notice thereof, any Party, from time to time, may change its address for notices hereunder. Legal counsel for the respective Parties may send to the other Party any notices, requests, demands or other communications required or permitted to be given hereunder by such Party.

To Lessor:	Housing Authority of the City and County of San Francisco 440 Turk Street San Francisco, CA 94102 Attention: Gregg Fortner, Executive Director
and to:	Goldfarb & Lipman 1300 Clay Street, 9th Floor City Center Plaza Oakland, CA 94612 Attention: Michelle D. Brewer
To Lessee:	North Beach Housing Associates c/o BRIDGE Housing Corporation One Hawthorne Street, 4th Floor San Francisco, CA 94105 Attention: President
and a copy to:	Gubb & Barshay, LLP 50 California Street, Suite 3155 San Francisco, CA 94111 Attention: Natalie Gubb
and to:	Sheppard, Mullin, Richter and Hampton Embarcadero Center Four, 17th Floor San Francisco, CA 94111 Attention: Rebecca Hlebasko
and to:	The John Stewart Company, Inc. 1388 Sutter Street, 11th Floor San Francisco, CA 94109 Attention: Jack Gardner
and to:	Em Johnson Interest, Inc. 2121 Peralta Street, Suite 134 Oakland, CA 94607 Attention: Michael Johnson
	Related Capital Company 625 Madison Avenue New York, NY 10022 Attention: Marc D. Schnitzer
	U.S. Department of Housing and Urban Development Office of Public Housing 450 Golden Gate Avenue P.O. Box 36003 San Francisco, CA 94102

Attention: Director

Section 17.12 Counterparts. This lease may be executed in several counterparts, each of which shall be deemed an original, and all such counterparts together shall constitute one and the same agreement.

Section 17.13 Time of Essence. Time is and shall be of the essence in this Lease.

Section 17.14 Relationship of Parties. No relationship exists between Lessor and Lessee other than landlord and tenant. The parties hereto expressly declare that, in connection with the activities and operations contemplated by this Lease, they are neither partners nor joint venturers, nor does a debtor-creditor, principal-agent or any other relationship except as aforesaid, exist between them. Nothing contained in the Annual Contributions Contract, or in any agreement or contract between the Parties hereto, nor any act of HUD, Lessor, or Lessee, will be deemed or construed to create any relationship of third party beneficiary, principal and agent, limited or general partnership, joint venture or any association or relationship involving HUD.

ARTICLE 18
PARTICULAR COVENANTS

Section 18.1 Non-Discrimination.

(a) Lessee shall not discriminate against, or segregate any person or group of persons on the grounds of race, color, creed, religion, sex, sexual orientation, condition of Acquired Immune Deficiency Syndrome (AIDS) or AIDS-related complex, marital status, national origin or ancestry or disability in the lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Leased Premises nor shall Lessee, or any person claiming under or through Lessee, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of Tenants, lessees, subtenants, sublessees or vendees of the Leased Premises. The foregoing covenant shall run with the land.

(b) Lessor shall be entitled to invoke any remedies available at law or in equity to redress any breach of this subsection or to compel compliance therewith by Lessee. The obligations of Lessee and Lessor to comply with Section 18.1(a) above shall inure to the benefit of each other. Lessor shall be entitled to invoke any remedies available at law or in equity to redress any breach of this Article 18 or to compel compliance therewith by Lessee.

Section 18.2 Section 3 Requirements. Lessee shall assist and encourage the training and hiring of residents, including minority residents, to the maximum extent feasible before, during and after construction of the Improvements in compliance with the Resident Hiring Plan attached hereto as Exhibit E. Lessee shall comply in all respects with Section 3 of the Housing and Urban Development Act of 1968, Lessor's Section 3 Requirements, and all provisions of Lessor's Affirmative Action Requirements, all of which are attached hereto as

Exhibit F, including the minimum contracting goals defined and set forth therein, and shall submit to Lessor's Development Department all reports required thereby, both at the commencement of construction and during the construction process.

Section 18.3 Covenants Binding Upon Successors. This Lease is a covenant running with the land and obligates Lessee and Lessor, and any successor who acquires title to the Lessee's estate by foreclosure of a Leasehold Mortgage, to maintain and operate the PHA-Assisted Replacement Units within the Improvements in compliance with all applicable Public Housing Requirements.

IN WITNESS WHEREOF, this Lease is made and entered into as of the day and year first above written.

LESSOR:

HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO

By: _____
Gregg Fortner, Executive Director

LESSEE:

North Beach Housing Associates, a California limited partnership

By: BRIDGE Housing Ventures, Inc., a California nonprofit public benefit corporation, its general partner

By: _____

Its: _____

GROUND LEASE AGREEMENT
(North Beach Place--Commercial)

DOCUMENTS DEPT.

DEC 18 2002

SAN FRANCISCO
PUBLIC LIBRARY

TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS 1

Section 1.1 Definitions. 1
Section 1.2 Exhibits. 5

ARTICLE 2 LEASE OF THE LEASED PREMISES 6

Section 2.1 Leased Premises. 6
Section 2.2 Term. 6
Section 2.3 Use 6
Section 2.4 Possession. 7
Section 2.5 Memorandum of Lease. 7

ARTICLE 3 CONSTRUCTION OF IMPROVEMENTS 7

Section 3.1 Construction Standards 7
Section 3.2 Construction of Initial Improvements. 11
Section 3.3 Additional Construction on Property 11
Section 3.4 Title to Improvements. 12
Section 3.5 Benefits of Improvements During Term. 13
Section 3.6 Reciprocal Easement Declaration 13

ARTICLE 4 RENTS; PAYMENTS 13

Section 4.1 Basic Rent 13
Section 4.2 Residual Receipts. 13
Section 4.3 Maximization of Operating Revenues 14
Section 4.4 Payments. 15

ARTICLE 5 TAXES AND OTHER IMPOSITIONS; UTILITIES 15

Section 5.1 Payment of Impositions. 15
Section 5.2 Contested Taxes and Other Impositions. 15
Section 5.3 Valuation Assessment. 16
Section 5.4 Failure to Pay Impositions. 16
Section 5.5 Utilities 16

ARTICLE 6 INSURANCE 16

Section 6.1 Lessee's Insurance. 16
Section 6.2 General Requirements 17
Section 6.3 Evidence of Insurance 17
Section 6.4 Failure to Maintain. 17
Section 6.5 Acceptability of Insurers 18

ARTICLE 7 MAINTENANCE, REPAIRS AND REPLACEMENTS 18

Section 7.1 Maintenance of Leased Premises 18
Section 7.2 Indemnifications. 18

ARTICLE 8 PERMITTED MORTGAGES AND INVESTOR RIGHTS 18

Section 8.1 Right to Encumber. 18
Section 8.2 Notice to Leasehold Mortgagee. 19
Section 8.3 Right of Leasehold Mortgagee to Cure. 19
Section 8.4 Limitation on Liability of Leasehold Mortgagee. 21
Section 8.5 21
Section 8.10 Registration of Leasehold Mortgages. 21
Section 8.11 Approval of Lessor. 21

ARTICLE 9 REPRESENTATIONS, WARRANTIES AND COVENANTS 21

Section 9.1 Representations, Warranties and Covenants of Lessee 21
Section 9.2 Representations, Warranties and Covenants of Lessor. 22
Section 9.3 Hazardous Materials. 22
Section 9.4 As-Is Conveyance. 24
Section 9.5 Environmental Work. 25

ARTICLE 10 EMINENT DOMAIN 26

Section 10.1 Termination of Lease. 26
Section 10.2 Continuation of Lease and Presumption of Restoration. 26
Section 10.3 Temporary Taking. 26
Section 10.4 Award. 26
Section 10.5 Joinder. 27

ARTICLE 11 DAMAGE OR DESTRUCTION 27

Section 11.1 Damage or Destruction to Leased Premises. 27
Section 11.2 Damage or Destruction Near End of Term. 28
Section 11.3 Distribution of Insurance Proceeds. 28

ARTICLE 12 EVENTS OF DEFAULT 28

Section 12.1 Events of Default. 28
Section 12.2 Rights and Remedies. 29
Section 12.3 Deficiency Judgments. 30
Section 12.4 Default by Lessor. 30
Section 12.5 Notices. 31

ARTICLE 13 QUIET ENJOYMENT AND POSSESSION; INSPECTIONS 31

Section 13.1 Quiet Enjoyment 31

Section 13.2 Lessor's Right of Inspection. 31

ARTICLE 14 VACATION OF LEASED PREMISES 31

ARTICLE 15 NON-MERGER 31

ARTICLE 16 ASSIGNMENTS AND TRANSFERS 32

Section 16.1 Consent Required. 32
Section 16.2 Limitations on Consent Requirement. 32
Section 16.3 Subsequent Assignment. 33
Section 16.4 Request for Consent. 33
Section 16.5 Grant of Purchase Option to Lessor or Affiliate. 33

ARTICLE 17 MISCELLANEOUS PROVISIONS 33

Section 17.1 Entire Agreement: Modifications. 33
Section 17.2 Governing Law 33
Section 17.3 Binding Effect. 33
Section 17.4 Severability. 33
Section 17.5 Further Assurances. 33
Section 17.6 Captions. 34
Section 17.7 Gender. 34
Section 17.8 Exhibits. 34
Section 17.9 References. 34
Section 17.1 0 Rights Cumulative. 34
Section 17.11 Notices. 34
Section 17.12 Counterparts. 35
Section 17.13 Time of Essence. 35
Section 17.14 Relationship of Parties. 35

ARTICLE 18 PARTICULAR COVENANTS 36

Section 18.1 Non-Discrimination. 36
Section 18.2 Section 3 Requirements. 36
Section 18.3 Covenants Binding Upon Successors. 36

EXHIBITS:

EXHIBIT A LEASED PREMISES
EXHIBIT B SITE PLAN
EXHIBIT C MEMORANDUM OF LEASE
EXHIBIT D MITIGATION MEASURES
EXHIBIT E RESIDENT HIRING PLAN

EXHIBIT F AFFIRMATIVE ACTION REQUIREMENT
EXHIBIT G RECIPROCAL EASEMENT DECLARATION

GROUND LEASE AGREEMENT
(North Beach Place--Commercial)

THIS GROUND LEASE AGREEMENT ("Lease") is entered into as of the first day of November, 2002, by and between the HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body, corporate and politic ("Lessor"), and North Beach Retail Associates, LLC, a California limited liability company ("Lessee").

RECITALS

A. Lessor owns certain unimproved real property situated in the City of San Francisco, California, which has been subdivided into separate parcels for commercial and residential development. The parcels intended for commercial development are more specifically described on Exhibit A attached hereto (the "Leased Premises").

B. Lessor desires to lease the Leased Premises to Lessee and Lessee desires to lease the Leased Premises from the Lessor for a period of forty (40) years from the completion of the construction of the Improvements, pursuant to the terms of this Lease.

C. Capitalized terms which are referred to and utilized throughout this Lease are defined in Article I of this Lease.

NOW, THEREFORE, for and in consideration of the foregoing premises, the covenants, representations, warranties and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE 1
DEFINITIONS

Section 1.1 Definitions. For the purposes of this Lease, the following defined terms shall have the meanings ascribed thereto in this Article 1:

Approved Financing: All mortgage loans and such other financing as Lessor may approve. Approved Financing as of the date hereof includes the following:

(a) Construction loan for the commercial improvements on the Leased Premises, from Citibank, F.S.B., a federal savings bank, in the approximate amount of Four Million Six Hundred Twenty-Five Thousand Dollars ($4,625,000)(the "Construction Loan").

Casualty: As defined in Article 11 hereof.

City: The City of San Francisco, California.

Closing: The date on which one or more deeds of trust securing the Approved Financing are recorded against the Leased Premises.

Commencement Date: The date first written above.

DDA: That certain Disposition and Development Agreement relating to the revitalization efforts on the Leased Premises, and on other parcels on which residential space will be developed, in the City of San Francisco, among Lessor and North Beach Development Associates, LLC, a California limited liability company dated as of March 12, 2002.

Event of Default: As described in Article 12 hereof.

Governmental Authorities: Any applicable federal, state or local governmental or quasi-governmental entities, subdivisions, agencies, authorities or instrumentalities having jurisdiction over the Leased Premises, the Improvements, Lessor or Lessee.

Hazardous Materials or Hazardous Substances: Any oil or any fraction thereof or petroleum products or "hazardous substance" as defined in Section 101(14) of CERCLA (42 U.S.C. Section 9601(14) or Section 25281(d) or 25316 of the California Health and Safety Code at such time; any "hazardous waste," "infectious waste" or "hazardous material" as defined in Section 25117, 25117.5 or 2550(j) of the California Health and Safety Code at such time; any other waste, substance or material designated or regulated in any way as "toxic" or "hazardous" in the RCRA (42 U.S.C. Section 6901 et seq.), CERCLA Federal Water Pollution Control Act (33 U.S.C. Section 1521 et seq.), Safe Drinking Water Act (42 U.S.C. Section 3000(f) et seq.), Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), Clean Air Act (42 U.S.C. Section 7401 et seq.), California Health and Safety Code (Section 25100 et seq.), or California Water Code (Section 1300 et seq.) at such time; and any additional wastes, substances or material which at such time are classified, considered or regulated as hazardous or toxic under any other present or future environmental or other similar laws relating to the Leased Premises, but excluding any substances or materials used in the construction, development, maintenance or operation of the Improvements, so long as the same are used in accordance with all applicable laws.

Hazardous Materials Law: All federal, state, and local laws, ordinances, regulations, orders and directives pertaining to Hazardous Materials in, on or under the Leased Premises or any portion thereof.

Impositions: All taxes, assessments, water and sewer charges, charges for public utilities, excises, levies, license and permit fees and other charges that shall or may be assessed, levied or imposed during the Term by any Governmental Authorities upon the Leased Premises or any part thereof, including the buildings or improvements now or hereafter located thereon; provided, however, that the term "Impositions" shall not include any income tax, capital levy, estate, succession, inheritance, transfer or similar taxes of Lessor, or any franchise tax imposed upon any owner of the fee of the Leased Premises, or any income, profits or revenue tax, assessment or charge imposed upon the rent or other benefit received by Lessor under this Lease by any Governmental Authorities.

Improvements: means all improvements constructed and located upon the Leased Premises at any time during the Lease Term, whether constructed initially in the form of the Initial Improvements pursuant to Section 3.2 of this Lease, or later constructed in the form of a Major Additional Improvement, or any additional construction, alteration, remodeling, or reconstruction as described in Section 3.3 of this Lease.

Initial Improvements: The 21,539 square feet of commercial space to be developed on the Leased Premises, including, without limitation the following: parking, tenant related space and related ancillary facilities, together with any and all replacements or substitutions therefor or modifications thereto.

Insurance Requirements: The requirements, whether now or hereafter in force, of any insurer or insurance carrier, any board of fire underwriters or any other company, bureau, organization or entity performing the same or similar functions, applicable to the Leased Premises and/or the Improvements, or any portion thereof, to the extent so applicable.

Lease Year: A calendar year.

Leased Premises: That certain real property located in the City of San Francisco, California, as more particularly described on Exhibit A attached hereto and made a part hereof and as more particularly depicted on the Site Plan, together with all and singular rights, easements, licenses, privileges and appurtenances thereunto attaching or in any way belonging thereto.

Leasehold Mortgage: Any mortgage, deed of trust, security agreement or collateral assignment encumbering Lessee's Estate created hereunder as a leasehold mortgage lien.

Leasehold Mortgagee: The holder, mortgagee, grantee or secured party under any Leasehold Mortgage, and their successors and assigns.

Legal Requirements: All laws, statutes, codes, ordinances, orders, rules, regulations and requirements of all Governmental Authorities and the appropriate agencies, officers, departments, boards and commissions thereof, whether now or hereafter in force, applicable to Lessor, Lessee, the Leased Premises, the Improvements, or any portion thereof, to the extent so applicable.

Lessee's Estate: Lessee's leasehold interest in the Leased Premises acquired pursuant to this Lease and any fee or other interest in the Leased Premises acquired by Lessee hereafter.

Lessee's Share of Residual Receipts: The amount of seventy percent (70%) of Residual Receipts.

Lessor's Estate: Lessor's fee estate in the land constituting the Leased Premises.

Lessor's Share of Residual Receipts: The amount of thirty percent (30%) of the Residual Receipts.

MBE & WBE Requirements: Those certain policies and guidelines of Lessor attached hereto as Exhibit F.

Mitigation Measures: The requirements of the Mitigated Negative Declaration issued pursuant to the California Environmental Quality Act (CEQA) and any ongoing requirements under the National Environmental Protection Act (NEPA), which are attached hereto as Exhibit D.

Net Condemnation Award: The net amounts owed or paid to the Parties or to which either of the Parties may be or become entitled by reason of any Taking or pursuant to any agreement with any condemning authority which has been made in settlement of any proceeding relating to a Taking, less any costs and expenses incurred by the Parties in collecting such award or payment.

Option: The purchase option and right of first refusal described in that certain Purchase Option and Right of First Refusal Agreement by and between Lessor and Lessee with respect to the Leased Premises and dated of even date herewith (the "Purchase Option Agreement").

Party: Lessor or Lessee, as applicable. Lessor and Lessee shall be referred to collectively as the "Parties."

Person: An individual, partnership, corporation, limited liability company, trust, unincorporated association, or other entity or association.

Preconstruction Services Agreement ("PSA"): That certain agreement between Lessor and Lessee, in which Lessee agreed to arrange for the demolition of the former improvements on the Leased Premises.

Project: The Leased Premises and the Improvements.

Purchase Option Agreement: That certain Purchase Option and Right of First Refusal Agreement by and between Lessor and Lessee with respect to the Leased Premises and dated of even date herewith.

Reciprocal Easement Declaration: That agreement attached hereto as Exhibit G, executed by the Lessor and recorded against the Leased Premises and a portion of the property located immediately above the Leased Premises and designated for residential development, providing for reciprocal easements between the commercial and housing portions of the development to be constructed on the property, providing certain restrictions on the use, and changes in use, of the respective parcels and setting forth certain conditions, covenants and restrictions ("CC&R's") on the parcels.

Rent: As described in Section 4.1 hereof.

Rent Payment Year: A period of twelve (12) full calendar months.

Residual Receipts: The amount by which, in a particular calendar year, Operating Revenues exceed Operating Expenses, as determined by an independent certified financial audit. "Operating Revenues" means all income derived by Lessee from the Tenants within the Leased Premises. "Operating Expenses" shall mean all costs and expenses incurred by Lessee directly attributable to the Leased Premises, including, but not limited to, maintenance and repair of the Leased Premises, insurance on the Leased Premises in accordance with this Lease, all debt service, charges and other impositions becoming due under the Approved Financing.

Site Plan: That certain Site Plan for the Initial Improvements depicting the Leased Premises, a copy of which is attached hereto as Exhibit B.

Subsequent Owner: Subsequent Owner shall mean (a) any party (including, without limitation, any Leasehold Mortgagee or assignee of a Leasehold Mortgagee, as applicable) acquiring the Lessee's rights and interests in the Leased Premises, this Lease, and the Improvements, which acquisition is a result of a foreclosure or other transfer in lieu of foreclosure under a Leasehold Mortgage, and (b) any successor or assignee of any party described in (a).

Taking: A taking during the Term hereof of all or any part of the Leased Premises and/or the Improvements, or any interest therein or right accruing thereto, as a result of the exercise of the right of condemnation or eminent domain or a change in grade materially affecting the Leased Premises or any part thereof. A conveyance in lieu of or in anticipation of the exercise of any such right of condemnation or eminent domain shall be considered a Taking. Any such Taking shall be deemed to have occurred upon the earlier to occur of (a) the date on which the property, right or interest so taken must be surrendered to the condemning authority, or (b) the date title vested in a condemning authority or other party pursuant to any Taking.

Tenant(s): Any tenant, sublessee or licensee of Lessee under any Tenant Lease(s).

Tenant Lease(s): Any lease or license agreement entered into by Lessee with tenants of the commercial space to be developed on the Leased Premises.

Term: The period of time described in Section 2.2 hereof.

Transfer: Any sale, assignment, transfer, conveyance, encumbrance, mortgage, or hypothecation, in any manner or form or any agreement to do any of the foregoing.

Section 1.2 Exhibits. The exhibits referred to in this Agreement and attached hereto are:

Exhibit A:	Leased Premises
Exhibit B:	Site Plan
Exhibit C:	Memorandum of Lease
Exhibit D:	Mitigation Measures
Exhibit E:	Resident Hiring Plan
Exhibit F:	Affirmative Action Requirements

Exhibit G: Reciprocal Easement Declaration

ARTICLE 2
LEASE OF THE LEASED PREMISES

Section 2.1 Leased Premises. Subject to the terms hereof and in consideration of the covenants of payment and performance stipulated herein, Lessor has leased, demised and let, and by these presents does hereby lease, demise and let unto Lessee, and Lessee hereby leases and takes from Lessor, the Leased Premises. This Lease is subject to that certain Reciprocal Easement Declaration, which shall be recorded concurrently herewith and all terms and conditions therein, attached hereto as Exhibit G.

Section 2.2 Term. Unless sooner terminated pursuant to the provisions hereof, this Lease shall continue in full force and effect for a term ("Term"), commencing on the date Commencement Date and expiring on the day immediately preceding the fortieth (40^{th}) anniversary of the completion of the construction of the Initial Improvements.

Section 2.3 Use. Subject to the provisions hereof, Lessee shall use the Leased Premises for the redevelopment thereof and for the construction, development and operation of the Initial Improvements on the Leased Premises in accordance with the restrictions and requirements set forth in Article 3 hereof. Further, Lessee agrees:

(a) to obtain the approval of Lessor of any lease of the Leased Premises, or any portion thereof, prior to its execution, provided that such approval shall not be unreasonably withheld or delayed;

(b) not to lease the Leased Premises, or any portion thereof, to any Tenant whose primary business purpose is to offer adult entertainment, or engage in the sale of alcohol, firearms, adult books, or adult videos;

(c) not to use the Leased Premises for any disorderly or unlawful purpose;

(d) to use commercially reasonable efforts to prevent any action by any Tenants from committing or maintaining any nuisance or unlawful conduct on or about the Leased Premises;

(e) to use commercially reasonable efforts to prevent any action by any Tenant that would cause Lessee to violate any of the covenants and conditions of this Lease with respect to the Improvements;

(f) upon notice from Lessor, to take reasonable action, if necessary, to abate any action by any Tenant that would cause Lessee to violate this Lease; and

(g) subject to the rights of Tenants, to permit Lessor and its agents upon not less than 48 hours written notice to inspect the Leased Premises or any part thereof at any reasonable time during the Term.

Section 2.4 Possession. Lessor agrees to and shall provide possession of the Leased Premises to Lessee immediately following the date of this Lease. To the best of Lessor's knowledge, the Leased Premises are subject only to the encumbrances listed in the Preliminary Title Report from Chicago Title Company, dated as of August 28, 2002, order number 6047301-SH (the "Title Report") and such encumbrances approved by Lessor and recorded concurrently with the Memorandum of Lease.

Section 2.5 Memorandum of Lease. The Parties shall execute and acknowledge a memorandum of ground lease, in the form attached hereto as Exhibit C, which Lessee shall cause to be recorded at Lessee's expense.

ARTICLE 3
CONSTRUCTION OF IMPROVEMENTS

Section 3.1 Construction Standards.

(a) General Standards. All construction of the Improvements, alteration or repair work permitted by this Lease shall be accomplished expeditiously and diligently by reputable licensed contractor(s), approved by Landlord in accordance with the provisions of Section 3.1(j), below.

Lessee shall take all reasonably necessary measures to minimize any damage, disruption or inconvenience caused by such work and make adequate provision for the safety and convenience of all persons affected thereby. Lessee shall repair, at Lessee's own cost and expense, any and all damage caused by such work and shall restore the area upon which such work is performed to a condition which is equal to or better than the condition which existed prior to the beginning of such work. In addition, Lessee shall pay (or cause to be paid) all costs of and expenses associated herewith, and shall indemnify and hold Lessor and Lessor's officer, boardmembers, agents and employees, harmless from all damages, losses or claims attributable to the performance of such work, except to the extent that such damage, loss, or claim arises from the negligence or intentional acts of Lessor, or its respective officers, agents, and employees.

(b) Compliance with Construction Documents and Laws; Issuance of Permits. All Improvements shall be constructed in compliance with the requirements of construction documents approved by the Lessor in accordance with this Lease, and also in compliance with all applicable local, state and federal laws and regulations. The Lessee shall have the sole responsibility for obtaining all necessary permits and shall make any application for such permit directly to the person of governmental agency having jurisdiction.

Lessor will cooperate with Lessee in the submittal of applications for all required permits, licenses, applications for utility services and easements, provided that Lessee shall be responsible for obtaining any and all permits, licenses, easements and other authorizations required by any Governmental Authority with respect to any construction or other work to be performed on the Leased Premises and for granting or causing to be granted all permits,

licenses, easements and other governmental authorizations that are necessary or helpful for electric, telephone, gas, cable television, water, sewer, drainage, access and such other public or private utilities or facilities as may be reasonably necessary or desirable in connection with the construction or operation of the Improvements. Lessee shall be entitled, without separate payment to Lessor for tap or connection fees, to tap into the existing lines, facilities and systems of applicable electric, gas, cable, water, sewer, sewer treatment and other utilities serving the Leased Premises, provided Lessee remains responsible for payment of such fees therefor as are required by any Governmental Authority.

(c) Construction Safeguards. Lessee shall erect and properly maintain at all times, as required by the conditions and the progress of work performed by Lessee, all reasonable safeguards for the protection of workers and the public.

(d) Rights of Access. Representatives of Lessor shall have the reasonable right of access to the Leased Premises and the Improvements thereon without charges or fees, at normal construction hours during the period of construction, for the purposes of ascertaining compliance with the terms of this Lease, including, but not limited to, the inspection of the construction work being performed. Lessor's representatives shall be those who are so identified in writing by the Executive Director of Lessor, shall be accompanied by Lessee's representatives if Lessee so desires, shall comply with Lessee's contractor's reasonable rules for the construction site, and shall provide the Lessee with forty-eight (48) hours notice prior to any such inspection. Lessor shall indemnify, defend and hold Lessee harmless against all claims arising from the exercise by the Lessor, its employees or its agents of the inspection rights granted by this Section 3.1(d).

(e) Notice of Completion. Upon completion of the Improvements, the Lessee shall file or cause to be filed in the Official Records of the City and County of San Francisco a notice of completion with respect to the applicable Improvements, and Lessee shall deliver to Lessor, at no cost to Lessor, two (2) sets of the final as-built plans and specifications of the applicable Improvements.

(f) Discharge of Liens. Except for Approved Financing, neither Lessor nor Lessee shall create or permit or suffer to be created or to remain, and will discharge, any lien (including, but not limited to, the liens of mechanics, laborers, materialmen, suppliers or vendors for work or materials alleged to be done or furnished in connection with the Leased Premises and the Improvements thereon), encumbrances or other charge upon the Leased Premises and the Improvements thereon, or any part thereof, or upon Lessee's leasehold interest therein; provided, however, that neither party shall be required to discharge any such liens, encumbrances or charges as may be placed upon the Leased Premises by the act of the other party.

Lessor and Lessee shall each have the independent right to contest in good faith and by appropriate legal proceedings the validity or amount of any mechanics', laborers', materialmen's, suppliers' or vendors' lien or claimed lien; provided that the party contesting such claim shall utilize all reasonable means (including the posting of adequate security for payment) to protect the Leased Premises and any part thereof or the Improvements thereon

against foreclosure, and shall indemnify and hold harmless the other party from any adverse effects resulting from such lien.

(g) Protection of Lessor. Nothing in this Lease shall be construed as constituting the consent of Lessor, expressed or implied, to the performance of any labor or the furnishing of any materials or any specific improvements, alterations of or repairs to the Leased Premises or the Improvements thereon, or any part thereof, by any contractor, subcontractor, laborer or materialman, nor as giving Lessee or any other person any right, power or authority to act as agent of or to contract for, or permit the rendering of, any services or the furnishing of any materials in such manner as would give rise to the filing of mechanics' liens or other claims against the Lessor's fee interest of the Leased Premises or the Improvements thereon. Lessor shall have the right at all reasonable times to post and keep posted on the Leased Premises any notices which Lessor may deem necessary for the protection of Lessor and of the Leased Premises and the Improvements thereon from mechanics' liens or other claims. In addition, but subject to the second paragraph of subsection (f) above, Lessee shall make, or cause to be made, prompt payment of all monies due and legally owing to all persons doing any work or furnishing any materials or supplies to Lessee or any of its contractors or subcontractors in connection with the Leased Premises and the Improvements thereon.

(h) Lessee to Furnish and Equip the Improvements. Lessee covenants and agrees to furnish and equip the Improvements with all fixtures, furnishings, equipment and other personal property (collectively, the "Personal Property") of a quantity as necessary to operate first class retail center or commercial office space, as appropriate, on the Leased Premises in accordance with industry standards. Lessee further agrees to take good care of such Personal Property, to keep the same in good order and condition ordinary wear and tear excepted, and promptly, at Lessee's own cost and expense, to make all necessary repairs, replacements and renewals thereof. As used in this Lease, the term "Personal Property" includes all such replacements and renewals, and all fixtures, furnishings, equipment and other personal property of Lessee located in, on or about the Leased Premises and the Improvements thereon. Any and all fixtures, furnishings, equipment and other personal property placed in, on or about the Leased Premises shall be the Personal Property of Lessee during the term of this Lease.

(i) Construction Bonds. Prior to commencing construction of the Initial Improvements or any Additional Improvements, Lessee shall obtain and provide to the Lessor evidence of labor and material and performance bonds in an amount equal to the cost of construction of the Improvements to be constructed. Lessor shall be named as an obligee under those bonds. As an alternative to bonds, Lessee may provide security in the form of cash, letter of credit acceptable to the Lessor or other form of security acceptable to the Lessor.

(j) Contractor(s). All construction, alteration or repair work permitted herein shall be performed by reputable, licensed contractors with skills and experience necessary to perform such work to the quality standard set forth in this Article 3. In addition, the Initial Improvements and any Major Additional Improvements shall be performed by a general contractor (a "General Contractor") reasonably satisfactory to Lessor, having the

reputation, experience, financial capability and qualification for serving as general contractor for similar developments in the San Francisco Bay Area. Lessee shall submit for Lessor's approval the identify of any proposed General Contractor and such additional information about the background, experience, and financial condition of any proposed General Contractor necessary for Lessor to determine whether the proposed General Contractor meets the standard for a qualified General Contractor set forth above. If the proposed General Contractor meets such standard, Lessor shall approve the proposed General Contractor by notifying Lessee in writing. Unless the proposed General Contractor is disapproved within thirty (30) days, which disapproval shall state with reasonable specificity the basis for disapproval, it shall be deemed approved.

(k) Conditions to Commencement of Construction. In no event shall Lessee commence any construction on the Initial Improvements or on a Major Additional Improvement on the Property until the following conditions have been satisfied or waived by Lessor, in addition to other conditions and requirements imposed by this Lease:

(1) Lessor has approved Lessee's final plans and specifications for the improvements;

(2) Lessee has obtained financing and equity capital necessary for the full payment of construction of the improvements, together with any required operating capital;

(3) Lessee has obtained building permits and all other governmental approvals necessary for the construction of the improvements; and

(4) Lessee has entered into complete and binding contracts with its contractor or contractors for the construction of the improvements, which contracts shall provide for the obtaining of labor and material and performance bonds in an amount not less than the cost of construction of the improvements prior to the commencement of construction.

(5) Lessee has obtained construction bonds meeting the requirements of subsection (i) above, or Lessor has waived (in its sole discretion) such requirement.

(l) Equal Opportunity. During the construction of the Improvements, Lessee shall not discriminate on the basis of race, color, creed, religion, sex, sexual orientation, age, disability, marital status, condition of Acquired Immune Deficiency Syndrome (AIDS) or AIDS- related complex, national origin or ancestry in the hiring, firing, promoting or demoting of any person engaged in the construction work. Lessee shall comply with and adhere to the covenants contained in the MBE & WBE Requirements, as set forth in Exhibit F.

(m) Resident Hiring Plan. Lessee shall comply fully with the Resident Hiring, attached hereto as Exhibit E, and shall ensure that its contractors and subcontractors comply with the Resident Hiring Plan. Lessee shall review the provisions of the Resident

Hiring Plan with its contractors and subcontractors and shall attach a copy of the Resident Hiring Plan to each contract or sublease it enters into with such entities.

Section 3.2 Construction of Initial Improvements.

(a) Specific Standards. Within the time and in the manner set forth in this Lease, Lessee shall construct or cause to be constructed the Initial Improvements as required by and this Lease to be constructed on the Property. The Initial Improvements shall be constructed in full conformity with the construction plans approved by Lessor, (the "Construction Plans").

If Lessee desires to make any material change (as defined below) in the Construction Plans then in effect, Lessee shall first submit to Lessor such plans or other information which document the desired change. If the Construction Plans, as modified by the desired change, conform to the requirements of this Lease, Lessor shall approve the change by notifying Lessee in writing. Unless the proposed change is disapproved by Lessor within fifteen (15) days, which disapproval shall state with reasonable specificity the basis for disapproval, it shall be deemed approved. If disapproved within that time, the previously approved Construction Plans shall remain in effect.

For purposes of this paragraph, a "material change" is one involving a change in exterior design, building materials or colors, a change in interior design that would materially affect the uses to which the Initial Improvements may be put.

(b) Completion. Within fifteen (15) days following the Lease Commencement Date, Lessee shall commence construction of the Initial Improvements and shall thereafter complete construction of the Initial Improvements and shall thereafter complete construction of the Initial Improvements within twenty-four (24) months of the commencement of construction, subject to excused delays. Once Lessee commences construction of the Initial Improvements, Lessee shall not halt or cease construction for a period of more than thirty (30) days, subject to excused delays.

(c) Certificate or Completion. Promptly after completion of the Initial Improvements in accordance with those provisions and this Lease relating solely to the obligation of Lessee to construct the Initial Improvements, Lessor shall furnish Lessee with an appropriate instrument so certifying (the "Certificate of Completion").

Section 3.3 Additional Construction on Property.

(a) General Standards. Any additional building erected on any portion of the Leased Premises permitted under this Lease, and any alteration, construction, remodeling, reconstruction or repair work undertaken on or within any existing building on any portion of the Leased Premises shall at all times be of first-class construction and architectural design. All such additional alteration, construction, remodeling, reconstruction or repair work shall be diligently prosecuted, and completed (1) without cost to Lessor, (2) in good and workmanlike manner, and (3) in accordance with any applicable building and zoning requirements and any plans and specifications approved by Lessor pursuant to subsection (b) below.

(b) Approval of Plans. Prior to commencing construction of any Major Additional Improvement (as defined below), Lessee shall submit to Lessor for Lessor's approval plans and specifications for such improvements which, to the extent relevant, contain the same information required for Construction Plans as described in Section 3.2. If not approved or disapproved in writing by Lessor within thirty (30) days of submission, such plans and specifications shall be deemed approved.

In the event that prior to or during the course of construction, Lessee desires to make any material change in the Major Additional Improvement from that contemplated in the approved plans and specifications, Lessee shall, prior to making such change, submit to Lessor such plans or other information which document the desired change. Unless the proposed change is disapproved by Lessor within fifteen (15) days, which disapproval shall state with reasonable specificity the basis for such disapproval, it shall be deemed approved. If disapproved within that time, the previously approved plans and specifications shall remain in effect.

"Major Additional Improvement" means any of the following: (1) any new buildings, structures or outdoor facilities, (2) any substantial alterations, remodeling or rehabilitation of existing buildings, structures, or remodeling or rehabilitation of existing buildings, structures, or outdoor facilities, (3) construction of additional parking spaces or facilities, or (4) any other alteration, construction, remodeling or reconstruction with a cost in excess of One-Hundred Thousand Dollars ($100,000). Alteration, construction, remodeling, or reconstruction not constituting a Major Additional Improvement shall not require Lessor's approval of plans and specifications, but must be designed and performed in accordance with the General Standards set forth in subsection (a) above.

Section 3.4 Title to Improvements.

(a) During the Term. Lessor hereby grants to Lessee, without warranty express or implied, any right, title, or interest that Lessor has or may have in the Improvements now or hereafter located on the Leased Premises, which Improvements are and shall at all times during the term of this Lease be deemed real property. Notwithstanding any provision in this Lease to the contrary, the Improvements and all alterations, additions, equipment and fixtures built, made or installed by Lessee in, on, under or to the Leased Premises or Improvements shall be the sole property of Lessee until the expiration of the Term or other termination of this Lease; provided, however, that Lessee shall have no right to destroy, demolish or remove the Improvements except as specifically provided for in this Lease or as approved in writing by Lessor. It is the intent of the parties hereto that this Lease

shall create a constructive notice of severance of the Improvements from the Leased Premises without the necessity of a deed from Lessor after the Improvements have been constructed.

(b) After the Term. Upon the expiration of the Term or other termination of the Lease, the Improvements and all alterations, additions, equipment and fixtures shall be deemed to be and shall automatically become the property of Lessor, without cost or charge to Lessor. Lessor agrees that Lessee, at any time prior to the sixtieth (60th) day after the expiration or other termination of this Lease, may remove from the Leased Premises any and all equipment or other Personal Property which Lessee has furnished for maintenance purposes, provided that Lessee shall repair any physical damage to the Leased Premises caused by the removal of such equipment and Personal Property. Lessee agrees to execute, at the request of Lessor, at the end of the Term, a quitclaim deed of the Improvements to Lessor to be recorded at Lessor's option and expense and any other documents that may be reasonably required by Lessor or Lessor's title company to provide Lessor title to the Leased Premises and the Improvements free and clear of all monetary liens and monetary encumbrances not caused or agreed to by Lessor.

Section 3.5 Benefits of Improvements During Term. Lessor acknowledges and agrees that any and all depreciation, amortization, tax credits and other tax benefits for federal or state tax purposes relating to the Improvements located on the Leased Premises and any and all additions thereto, substitutions therefor, fixtures therein and other property relating thereto shall be deducted or credited exclusively to Lessee during the Term and for the tax years during which the Term begins and ends.

Section 3.6 Reciprocal Easement Declaration. Lessee shall comply fully with the Reciprocal Easement Declaration attached hereto as Exhibit G, providing for ingress, egress, use, operation and maintenance of such utilities, common areas, service facilities and other components of the Improvements and the residential portion of the development as are reasonable and necessary to permit complete, efficient and effective use of the Improvements.

ARTICLE 4
RENTS; PAYMENTS

Section 4.1 Residual Receipts as Payment of Rent.

(a) Payment. Lessee shall pay Lessor the Lessor's Share of Residual Receipts for each Rent Payment Year in the amount and manner provided in this Section 4.2. Each July 1st of the Term of this Lease, Lessee shall furnish Lessor with a statement, certified by the chief financial officer of Lessee, showing the amount of Residual Receipts for the preceding Rent Payment Year, which statement shall be accompanied by Tenant's payment of Lessor's Share of Residual Receipts for the preceding Rent Payment Year, if any is due.

(b) Records. Lessee shall keep and maintain full, complete and appropriate books, records and accounts relating to the Leased Premises, including all such books, records and accounts necessary or prudent to evidence and substantiate in full detail calculation of Residual Receipts. Books, records and accounts relating to Lessee's compliance with the

terms, provisions, covenants and conditions of this Lease shall be kept and maintained in accordance with generally accepted accounting principles consistently applied, and shall be consistent with the requirements of this Lease. All such books, records and accounts shall be open to and available for inspection by Lessor, its auditors and other authorized representatives at reasonable intervals during normal business hours. Copies of all sales, other excise tax reports and other reports that Lessee may be required to furnish any governmental agency shall at all reasonable times be open for inspection by Lessor at the place that the books, records and accounts are kept. Lessee shall preserve records relating to Residual Receipts for a period of not less than five (5) years after such records are prepared.

(c) Audits. The receipt by Lessor of any statement pursuant to this Section 4.2 or any payment by Lessee or acceptance by Lessor of any rent shall not bind Lessor as to the correctness of such statement or payment. Lessor shall have the right each year to audit Lessee's records of Operating Revenue and Operating Expenses with respect to the Leased Premises, but only for the purpose of ascertaining the amount of the Operating Revenue received and Operating Expenses incurred with respect to the Leased Premises during the preceding five (5) Rent Payment Years. Such audit shall not be made more often than once in each Rent Payment Year (except that more audits may be made in any one Rent Payment Year if each audit is of a different Rent Payment Year), and shall be made on behalf of Lessor either by a certified public accountant or by an experienced and reputable auditor regularly engaged in performing such audits, to be selected by Lessor. If Lessor wishes to audit Lessee's records for any Rent Payment Year, Lessor shall notify Lessee and proceed with such audit within five (5) years after Lessee provides Lessor with its statement of Operating Revenue and Operating Expenses for the Rent Payment Year in question. Should Lessor fail to exercise the right to audit the records of Lessee within such five (5) year period, then Lessor shall have no further right to audit the records of Lessee for such Rent Payment Year, and Lessee's statement of Operating Revenue and Operating Expenses for such Rent Payment Year shall conclusively be deemed to be correct. Any such audit by Lessor shall be at Lessor's own expense, except as hereinafter provided.

If such audit discloses that Lessee has understated the Operating Revenues or overstated the Operating Expenses for such Rent Payment Year by more than five percent (5%) and Lessor is entitled to any additional Residual Receipts as a result of such understatement, then Lessee shall promptly pay to Lessor the cost of such audit. Lessee shall, in any event, pay Lessor the amount of any deficiency in the Residual Receipts, together with interest thereon at the rate of the ten percent (10%), such interest to accrue beginning with the date fifteen (15) days following the end of the applicable Rent Payment Year for which such payment is due.

(d) Confidentiality. Lessor agrees not to divulge to any party the amount of Operating Revenues made by Lessee, except to Lessor's accountants (who shall not divulge the amount of Operating Revenues to any other party), to the taxing authorities with authority to inquire therein, or to an existing or bona fide prospective mortgagee or bona fide prospective purchaser of Lessee's leasehold interest in the Leased Premises.

Section 4.2 Maximization of Operating Revenues. Lessee agrees at all times during the term of this Lease to continue its operations on the Leased Premises and all improvements

thereon and to use its skill and diligence to produce the maximum Operating Revenue and assure to Lessor a payment of the greatest possible amount of Residual Receipts to the fullest extent commercially feasible, consistent with prudent business judgment, good practice and the requirements of this Lease.

Section 4.3 Net-Net-Net Lease and Payments. This Lease is a net-net-net lease and all Rents or other payments and sums, if any, due Lessor hereunder shall be: (a) paid by Lessee to Lessor at the address of Lessor set forth hereinafter for notices, or to such other person and/or at such other address as Lessor may direct by written notice to Lessee, without notice or demand, and without abatement, counterclaim, deduction, suspension, deferment, deduction, defense or set off, and (b) an absolute net return to Lessor, free and clear of any expenses, charges or offsets whatsoever.

ARTICLE 5
TAXES AND OTHER IMPOSITIONS; UTILITIES

Section 5.1 Payment of Impositions. Prior to delinquency, Lessee will pay all of the Impositions, except that if any Imposition that Lessee is obligated to pay in whole or in part is permitted by law to be paid in installments, Lessee may pay or cause to be paid such Imposition (or its proportionate part thereof) installments prior to delinquency. Upon the written request of Lessor, Lessee shall exhibit and deliver to Lessor evidence satisfactory to Lessor of payment of all Impositions. During the first and last years of the Term, all Impositions that shall become payable during each calendar, fiscal, tax or Lease Year, as applicable, shall be ratably adjusted on a per diem basis between Lessor and Lessee in accordance with the respective portions of such calendar, fiscal, tax, assessment or Lease Year during the Term. If any special assessments are payable in installments, Lessee shall pay only those installments that are due and for which the delinquency date occurs during the Term for periods occurring during the Term.

Section 5.2 Contested Taxes and Other Impositions.

(a) Lessee, at its sole cost and expense, in its own name or in the name of Lessor, may contest the validity or amount of any Imposition relating to all or any portion of the Leased Premises, in which event the payment thereof may be deferred during the pendency of such contest, if diligently prosecuted.

(b) As may be necessary or desirable, Lessor or Lessee, as applicable, upon the request of the other party, shall use its best reasonable efforts to assist in any such proceeding to contest the validity or amount of any Imposition.

(c) Nothing contained in this Section 5.2, however, shall be construed to allow any such contested Imposition to remain unpaid for a length of time which shall permit the Leased Premises, or any part thereof, to be sold by any Governmental Authorities for the non-payment of such Imposition. Lessee shall promptly furnish Lessor copies of all notices, appeals, pleadings, motions and orders in any proceedings commenced with respect to such contested Imposition. During such contest, Lessee shall (by the payment of such disputed

taxes, assessments, or charges, if necessary) prevent any advertisement of tax sale, any foreclosure of, or any divesting thereby of Lessor's title, reversion or other interest in or to the Leased Premises and the Improvements.

Section 5.3 Valuation Assessment. If applicable, Lessee, at its expense, may attempt to obtain a lowering of the assessed valuation of the Leased Premises for any year for the purpose of reducing taxes thereon.

Section 5.4 Failure to Pay Impositions. If Lessee shall fail to pay any Impositions before the same become delinquent, or as otherwise required pursuant to Section 5.2 hereof, Lessor, at its election, may pay such Impositions (but shall not be obligated to pay same), together with any interest and penalties due thereon, and the amount so paid by Lessor shall be repayable to Lessor by Lessee within forty-five (45) days after written notice given by Lessor to Lessee.

Section 5.5 Utilities. Lessee shall pay all utilities used, rendered or supplied upon or in connection with the Improvements and the construction thereof including, but not limited to, all charges for gas, electricity, light, heat or power, all telephone and other communications services, all water rents and sewer service charges, and all sanitation fees or charges levied or charged against the Leased Premises during the Term; provided, however, that Lessee shall have no responsibility hereunder for the payment of utilities supplied by the respective providers directly to Tenants for such Tenants' use in connection with the occupancy of their respective residential units. Lessor shall have no responsibility for the payment of utility costs.

ARTICLE 6
INSURANCE

Section 6.1 Lessee's Insurance. During the Term, Lessee shall keep and maintain in force, at no cost or expense to Lessor, the following insurance, all of which shall be provided by companies and/or agencies licensed to do business in the State of California:

(a) Leased Premises Insurance. Property insurance covering the risks of physical loss or damage to any of the Improvements, with limits of not less than one hundred percent (100%) of the "full replacement value" thereof, which insurance shall be provided by Lessee upon Closing. Such policies shall be provided with the perils insured under the standard "Causes of Loss--Special Form"(the "Special Form") and shall include, but shall not be limited to, coverage for fire, extended coverage, vandalism, malicious mischief and windstorm. Perils customarily excluded from the Special Form, e.g., earthquake and flood, may be excluded. The term "full replacement value" shall exclude the cost of excavation, foundations and footings. The amount of such insurance shall be adjusted by reappraisal of the Leased Premises by the insurer or its designee not more than once every five (5) years after construction during the Term, if requested in writing by Lessor.

(b) General Liability Insurance. Commercial general liability and automobile liability insurance, covering loss or damage resulting from accidents or

occurrences on or about or in connection with the Improvements or any work, matters or things under, or in connection with, or related to this Lease, with personal injury, death and property damage combined single limit liability of not less than Five Million Dollars ($5,000,000) per occurrence and in the aggregate for general liability and Five Million Dollars ($5,000,000) for automobile liability for each accident. Coverage under any such policies shall include, but shall not be limited to, operations, contractual, elevators, owner's and contractor's protective, products and completed operations, and the use of all owned, nonowned and hired vehicles.

(c) Workers' Compensation Insurance. Lessee shall carry or cause to be carried Workers' Compensation insurance with limits as required by the State of California and Employer's Liability limits of $1,000,000 for bodily injury by accident and $1,000,000 per person and in the annual aggregate for bodily injury by disease covering all persons employed by Lessee in connection with the Improvements and with respect to whom death, bodily injury, or sickness insurance claims could be asserted against Lessor or Lessee.

(d) Builders' Risk Insurance. As of Closing, during the course of any alteration, construction or reconstruction of the Improvements, the cost of which exceeds One Hundred Thousand Dollars ($100,000), Lessee shall provide builders' risk insurance for not less than the value of the construction contract, combined single limit for bodily injury or property damage insuring the interests of Lessor, Lessee and any contractors and subcontractors.

Section 6.2 General Requirements. All policies described in Section 6.1 shall include Lessor and Lessee, together with any Leasehold Mortgagees, as named insureds, as their respective interests may appear. All policies described in Section 6.1 shall contain (a) the agreement of the insurer to give Lessor and each Leasehold Mortgagee, as applicable, at least thirty (30) days' notice prior to cancellation (including, without limitation, for non-payment of premium) or any material change in said policies; (b) an agreement that such policies are primary and non-contributing with any insurance that may be carried by Lessor; (c) a provision that no act or omission of Lessee shall affect or limit the obligation of the insurance carrier to pay the amount of any loss sustained; (d) a waiver by the insurer of all rights of subrogation against Lessor and its authorized parties in connection with any loss or damage thereby insured against; and (e) terms providing that any loss covered by such insurance may be adjusted with Lessor and Lessee, but shall be payable to the holder of any Leasehold Mortgage, who shall agree to receive and disburse all proceeds of such insurance, subject to the duty of Lessee to repair or restore, as set forth in Sections 11.1 and 11.2 hereof.

Section 6.3 Evidence of Insurance. Certificates of insurance for all insurance required to be maintained by Lessee prior to Closing under this Article 6 shall be furnished by Lessee to Lessor on or before the date of this Lease. Lessor reserves the right to require complete, certified copies of all required insurance policies, including endorsements demonstrating the coverage required by this Lease at any time.

Section 6.4 Failure to Maintain. If Lessee fails to maintain such insurance, Lessor, at its election, may procure such insurance as may be necessary to comply with the above

requirements (but shall not be obligated to procure same), and Lessee agrees to repay to Lessor as Additional Rent the cost of such insurance.

Section 6.5 Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A: VII.

ARTICLE 7
MAINTENANCE, REPAIRS AND REPLACEMENTS

Section 7.1 Maintenance of Leased Premises. During the Term, but only following the Closing, at Lessee's sole cost and expense, Lessee shall keep and maintain the Leased Premises, all Improvements hereafter developed, and all appurtenances thereunto belonging, in good and safe order, condition and repair, normal wear and tear excepted. All such maintenance and repair shall conform to and comply with all Legal Requirements affecting the Leased Premises.

Section 7.2 Indemnifications.

Notwithstanding any other provision of this Lease to the contrary, Lessee hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to Lessor) Lessor, its commissioners, officers, agents and employees from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith, including, but not limited to, reasonable attorneys fees and expenses (collectively "claims"), arising from or relating to Lessee's obligations under this Lease or the construction or operations of the Improvements except to the extent caused by the negligence or willful misconduct of Lessor, or any of its commissioners, officers, agents or employees, and except for matters covered by Lessor's indemnity under Section 9.3(e) below. This indemnity shall survive the termination of this Lease.

Notwithstanding the foregoing or any other indemnity provision of this Lease, in no event shall any Leasehold Mortgagee or any Subsequent Owner have any obligation to indemnify Lessor or any of the other indemnified parties described above for any claims which arise or are asserted in connection with any acts, omissions, or other occurrences taking place prior to the date that any Leasehold Mortgagee or any Subsequent Owner acquires the Lessee's interest in this Lease.

ARTICLE 8
PERMITTED MORTGAGES AND INVESTOR RIGHTS

Section 8.1 Right to Encumber. Lessee shall have the right during the Term to encumber, through a Leasehold Mortgage pursuant to the Approved Financing, all of Lessee's right, title and interest in the Leased Premises subject to the provisions of this Lease; provided, however, any Leasehold Mortgage shall remain subordinate and inferior to Lessor's

right, title, and interest in the Leased Premises and, except as otherwise provided, upon acquisition of the Leased Premises, any foreclosing Leasehold Mortgagee's rights to the Leased Premises shall be subject to the terms and provisions of this Lease. Lessor and Lessee agree that, so long as any Leasehold Mortgage encumbers the Leasehold, the prior written consent of the Leasehold Mortgagee shall be required (a) in connection with any agreement by Lessor and Lessee (or their respective successors and assignees) to cancel, waive, terminate, surrender, amend or modify this Lease, (b) with respect to any acceptance by Lessor of any attempted cancellation, termination, or surrender of this Lease or the Leased Premises on the part of Lessee, and/or (c) with respect to any termination or cancellation of the Lease by Lessee and/or Lessor pursuant to Articles 10 and 11 of the Lease, or any other provision of the Lease which gives the Lessee and/or the Lessor an express right to terminate or cancel the Lease. Any proposed or attempted amendment, waiver, cancellation, surrender, or termination of this Lease without the prior written consent of any Leasehold Mortgagee shall be void and of no force or effect.

Section 8.2 Notice to Leasehold Mortgagee. During any period in which a Leasehold Mortgage is in place, Lessor shall give any such Leasehold Mortgagee of which Lessor has received notice from Lessee a duplicate copy of all notices of default or other notices that Lessor may give to or serve in writing upon Lessee pursuant to the terms of this Lease. The address of the Leasehold Mortgagee originally designated in the Leasehold Mortgage may be changed upon written notice delivered to Lessor in the manner specified in Section 17.11 hereinbelow. Lessor's failure to give any such notice to any such Leasehold Mortgagee shall not render such notice ineffective, nor shall any such failure constitute an Event of Default hereunder.

Section 8.3 Right of Leasehold Mortgagee to Cure.

(a) General Leasehold Mortgagee Right to Cure. Each Leasehold Mortgagee shall have the right, but not the obligation, at any time prior to termination of this Lease and without payment of any penalty other than the interest on unpaid rent, to pay all of the rents due hereunder, to effect any insurance, to pay any taxes and assessments, to make any repairs and improvements, to do any other act or thing required of Lessee hereunder, and to do any act or thing which may be necessary and proper to be done in the performance and observance of the agreements, covenants and conditions hereof to prevent a termination of this Lease as the same would have been if made, done and performed by Lessee instead of by a Leasehold Mortgagee.

(b) Limitation On Lessor's Right to Terminate. All rights of the Lessor to terminate this Ground Lease as the result of the occurrence of any event of default shall be subject to, and conditioned upon: (a) the Lessor having first given Leasehold Mortgagee notice of such event of default as provided in Section 8.2 above and; (b) Leasehold Mortgagee having failed to remedy such default or acquire Lessee's Leasehold Estate created hereby or commence foreclosure or other appropriate proceedings in the nature thereof within the time and manner set forth in Section 8.3(c) or 8.3(d) below, as applicable.

(c) Leasehold Mortgagee's Options Upon Curable Default. Should any event of default under this Lease occur which is of a curable nature, and not be cured by

Lessee within the applicable notice and cure period provided in this Lease, the Lessor shall not terminate this Lease nor exercise any other remedy hereunder unless it first gives written notice of such event of default to Leasehold Mortgagee and, thereafter, the Leasehold Mortgagee shall have failed, within ninety (90) days of receipt of said written notice, either (a) to remedy such default; or (b) to obtain title to Lessee's interest in the Leased Premises in lieu of foreclosure; or (c) to commence foreclosure or other appropriate proceedings in the nature thereof and thereafter diligently prosecute such proceedings to completion. If the Leasehold Mortgagee takes any of the actions in (a) thru (c) above, then such event of default shall be deemed remedied.

(d) Leasehold Mortgagee's Options Upon Non-Curable Default. Any event of default under this Lease which in the nature thereof cannot be remedied by Lessee or Leasehold Mortgagee shall be deemed to be remedied if, within ninety (90) days of receipt of Lessor's written notice setting forth the nature of such event of default, the Leasehold Mortgagee either (a) obtains title to Lessee's interest in the Leased Premises in lieu of foreclosure; or (b) commences foreclosure or other appropriate proceedings in the nature thereof and thereafter diligently prosecutes such proceedings to completion.

(e) Injunction or Bankruptcy. If any Leasehold Mortgagee is prohibited by any process or injunction issued by any court or by reason of any action by any court having jurisdiction of any bankruptcy or insolvency proceeding involving Lessor from commencing or prosecuting foreclosure or other appropriate proceedings in the nature thereof, the times specified in Sections 8.3(b) and 8.3(c) above for affecting any remedy or for commencing or prosecuting foreclosure or other proceedings shall be extended for the period of such prohibition. A Leasehold Mortgagee shall not interfere with Lessor's efforts to seek Lessee's compliance with any non-monetary obligations under this Lease.

(f) No Prior Hazardous Materials Claims. Notwithstanding Section 9.3 or any other provision of this Lease to the contrary, any indemnities or other covenants of Lessee with respect to Hazardous Materials matters shall not bind or apply to any Leasehold Mortgagee, any affiliate or assignee that becomes a Subsequent Owner, or any other Subsequent Owner. Furthermore, any Leasehold Mortgagee or other Subsequent Owner shall only be subject to the covenants (but not the indemnities) of Section 9.3 of this Lease for those Claims arising out of events or conditions first occurring during the period that such Subsequent Owner holds title to the Leased Premises and the Improvements.

(g) Replacement or Imputed Debt Service. In the event that the Leased Premises are transferred pursuant to a foreclosure or other transfer in lieu of or in connection with a foreclosure of the Construction Loan, then, for the purposes of calculating Residual Receipts, the debt service of any acquisition and/or construction financing obtained by a Subsequent Owner shall be deemed debt service paid under an Approved Financing. In addition, if the holder of the Construction Loan acquires the Leasehold Premises following a foreclosure or other transfer of or in connection with a foreclosure thereof, then, for the purposes of calculating Residual Receipts, there shall be imputed a debt service in the same amount as was payable under the Construction Loan prior to such foreclosure.

Section 8.4 Limitation on Liability of Leasehold Mortgagee. No Leasehold Mortgagee shall be or become liable to Lessor as an assignee of this Lease or otherwise unless it expressly assumes by written instrument executed by Lessor and Leasehold Mortgagee such liability (in which event the Leasehold Mortgagee's liability shall be limited to the period of time during which it is the owner of the leasehold estate created hereby) and no assumption shall be inferred from or result from foreclosure or other appropriate proceedings in the nature thereof or as the result of any other action or remedy provided for by such Leasehold Mortgage or other instrument or from a conveyance from Lessee pursuant to which the purchaser at foreclosure or grantee shall acquire the rights and interest of Lessee under the terms of this Lease.

Section 8.5 Estoppel Certificates. Lessor and Lessee agree that at any time and from time to time upon not less than twenty (20) days' prior written notice by the other Party, or upon request from any Leasehold Mortgagee or Investor or a permitted assignee or other interested party, Lessor or Lessee will execute, acknowledge and deliver to the other Party or to such Leasehold Mortgagee a statement in writing certifying (a) that this Lease is unmodified and in full force and effect; (b) the date through which the Rents have been paid; and (c) that, to the knowledge of the certifier (if such be the case), there is no default, set-off, defense or other claim against Lessor or Lessee, as applicable, other than those, if any, so specified under the provisions of this Lease. It is intended that any such statement may be relied upon by any persons proposing to acquire the interest of Lessor, Lessee or any Leasehold Mortgagee, as the case may be, in this Lease or by any prospective Leasehold Mortgagee or permitted assignee of any Leasehold Mortgage.

Section 8.10 Registration of Leasehold Mortgages. Lessee shall provide written notice to Lessor of the name and address of each Leasehold Mortgagee under this Lease.

Section 8.11 Approval of Lessor. Lessor's approval of a Leasehold Mortgage proposed by Lessee in connection with a refinancing plan approved by Lessor to encumber the Leased Premises will not be unreasonably withheld or delayed and will be deemed granted if not denied with specific reasons for denial within fifteen (15) days after receipt by Lessor of request for such approval by Lessee.

ARTICLE 9
REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 9.1 Representations, Warranties and Covenants of Lessee. As an inducement to Lessor to enter into and to proceed under this Lease, Lessee warrants and represents to Lessor as follows, which warranties, representations and covenants are true and correct as of the date of this Lease:

(a) Lessee has the right, power and authority to enter into this Lease and the right, power and authority to comply with the terms, obligations, provisions and conditions contained in this Lease;

(b) the entry by Lessee into this Lease and the performance of all of the terms, provisions and conditions contained herein will not, or with the giving of notice or the passage of time, or both, would not, violate or cause a breach or default under any other agreements to which Lessee is a party or by which it is bound;

(c) Lessee (i) shall not cause or permit any Hazardous Materials to be placed, held, located or disposed of on, under or at the Leased Premises or any part thereof, except in commercially reasonable amounts used in the construction and operation of the Improvements and in accordance with Legal Requirements, and (ii) shall not cause or permit any Hazardous Materials contamination of the Leased Premises or any part thereof; provided, however, that Lessee shall not be in violation of this Subsection 9.1(c) or otherwise be liable or obligated hereunder for any of the foregoing occasioned solely by reason of the existence of soils, water or materials already located on the Leased Premises as of the Commencement Date;

Section 9.2 Representations, Warranties and Covenants of Lessor. As an inducement to Lessee to enter into and to proceed under this Lease, Lessor warrants and represents to Lessee as follows, which warranties, representations and covenants are true and correct as of the date of this Lease:

(a) Lessor has the right, power and authority to enter into this Lease and the right, power and authority to comply with the terms, obligations, provisions and conditions contained in this Lease;

(b) Lessor's execution of this Lease and the performance of its obligations hereunder, does not violate any agreement to which the Lessor is a party.

Section 9.3 Hazardous Materials.

(a) Certain Covenants and Agreements. The Lessee hereby covenants and agrees that:

(1) The Lessee shall not knowingly permit the Improvements or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal or transportation of Hazardous Materials or otherwise knowingly permit the presence of Hazardous Materials in, on or under the Improvements in violation of any applicable law; provided however that, for the purposes of this subsection (a) only, the term "Hazardous Materials" shall not include: materials located in, on or under the Leased Premises as of the date hereof, materials in reasonable quantities for lawful use in the demolition of the Existing Improvements and other work required under the PSA; reasonable quantities of gardening materials, household products, construction supplies and materials, office supply products or janitorial supply products of the type customarily used in construction, maintenance, demolition, or associated with buildings and grounds, or typically used in household activities or the commercial establishments on the Leased Premises, so long as used in a lawful manner; certain substances which may contain chemicals listed by the State of California pursuant to Health and Safety Code Sections 25249.8 et seq., which substances are commonly used in

reasonable quantities and in a lawful manner by a significant portion of the population living within the region of the Leased Premises.

(2) The Lessee shall keep and maintain the Improvements and each portion thereof in compliance with, and shall not cause or permit the Improvements or any portion thereof to be in violation of, any Hazardous Materials Laws;

(3) Upon receiving actual knowledge of the same the Lessee shall immediately advise the Lessor in writing of: (A) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against the Lessee or the Improvements pursuant to any applicable Hazardous Materials Laws; (B) any and all claims made or threatened by any third party against the Lessee or the Improvements relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in the foregoing clause (A) and this clause (B) are hereinafter referred to as "Hazardous Materials Claims"); (C) the presence of any Hazardous Materials in, on or under the Improvements in such quantities which require reporting to a government agency; or (D) the Lessee's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Improvements classified as "borderzone property" under the provisions of California Health and Safety Code, Sections 25220 et seq., or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability or use of the Leased Premises under any Hazardous Materials Laws. If the Lessor reasonably determines that the Lessee is not adequately responding to a Hazardous Material Claim, the Lessor shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any such Hazardous Materials Claims and to have its reasonable attorney's fees in connection therewith paid by the Lessee.

(4) Other than pursuant to the Site Mitigation Plan, the Lessee shall not, without the Lessor's prior written consent, which shall not be unreasonably withheld or delayed, take any remedial action in response to the presence of any Hazardous Materials on, under, or about the Improvements (other than in emergency situations or as required by governmental agencies having jurisdiction), nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Materials Claims.

(b) The Lessee hereby acknowledges and agrees that the Lessee's duties, obligations and liabilities under this Lease are in no way limited or otherwise affected by any information the Lessor may have concerning the Improvements and/or the presence within the Improvements of any Hazardous Materials, whether the Lessor obtained such information from the Lessee or from its own investigations.

(c) Indemnification between the Lessor and Lessee for Hazardous Materials in connection with the Preconstruction Work, as defined in the PSA, shall be as provided in the PSA, subject to subsections (d) and (e) below.

(d) Notwithstanding anything to the contrary in the PSA, upon completion of the Preconstruction Work as defined in the PSA for the East Block and the West Block, respectively, the Lessee hereby agrees to indemnify, protect, hold harmless and defend the

Lessor, its board members, officers, directors, employees, insurers, sureties, attorneys, agents and contractors, from and against any and all claims, demands, losses, damages, liabilities, fines, penalties, charges, causes of action, administrative and judicial proceedings and orders, settlements, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, attorneys' fees, expert witness fees and costs) (hereinafter, "Claims"), arising directly or indirectly, in whole or in part, out of: (1) any action or omission of the Lessee or any other person or entity acting under the authority or control of the Lessee, other than any indemnitee, relating to Hazardous Materials on, under or about the Improvements, including the failure to comply with any Hazardous Materials Law or relating in any way whatsoever to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation or disposal of Hazardous Materials into, on, under or from the Improvements but excluding any matter with respect to Known Hazardous Materials covered by the Lessor's Indemnity provided under Section 9.3(e); or (2) the presence in, on or under the Improvements of any Hazardous Materials or any releases or discharges of any Hazardous Materials into, on, under or from the Improvements, excluding any pre-existing Hazardous Materials on the Leased Premises identified in the Site Mitigation Plan attached hereto as Exhibit D, as that plan may be mutually amended by the parties ("Known Hazardous Materials") (except to the extent that any Claim in connection with Known Hazardous Materials results from the negligent act or omission of the Lessee). The Lessee shall not be obligated to indemnify the Lessor under this provision with respect to, and to the extent of, the negligence or willful misconduct of the Lessor, its contractors, anyone directly or indirectly employed by them or anyone for whose acts they may be liable.

(e) Notwithstanding anything to the contrary in the PSA, upon completion of the Preconstruction Work as defined in the PSA for the East Block and the West Block, respectively, the Lessor hereby agrees to indemnify, protect, hold harmless and defend Lessee, its partners, shareholders, officers, directors, employees, insurers, sureties, attorneys, agents and contractors, from and against any and all claims, demands, losses, damages, liabilities, fines, penalties, charges, causes of action, administrative and judicial proceedings and orders, settlements, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, attorneys' fees, expert witness fees and costs), arising out of the presence of any Known Hazardous Materials on the Leased Premises; provided, however, that the Lessor shall not be obligated to indemnify Lessee under this provision with respect to, or to the extent of, the negligence or willful misconduct of the Lessee, its contractors, anyone directly or indirectly employed by them or anyone for whose acts they may be liable.

Section 9.4 As-Is Conveyance.

(a) Any deed or ground lease to Lessee shall be made "AS IS," with no warranties or representations by the Lessor concerning the condition of the Leased Premises, including the presence or absence of any Hazardous Materials. Lessee hereby agrees and acknowledges that except in the event of any fraud, misrepresentation, or withholding of information by Lessor: (i) neither Lessor, nor anyone acting for or on behalf of Lessor, has made any representation, statement, warranty or promise to Lessee concerning the development potential or condition of the Leased Premises; (ii) in entering into this Lease,

Lessee has not relied on any representation, statement or warranty of Lessor, or anyone acting for or on behalf of Lessor, other than as may expressly be contained in writing in this Lease; (iii) all matters concerning the Leased Premises have been or shall be independently verified by Lessee and that Lessee shall lease the Leased Premises on Lessee's own prior examination thereof; and (iv) THAT LESSEE IS LEASING THE LEASED PREMISES IN AN "AS IS" PHYSICAL CONDITION AND IN AN "AS IS" STATE OF REPAIR.

(b) General Release. Subject to Section 9.4(a) above and except for Lessor's obligations arising under Section 9.3(e) above, Lessee and its owners, employees, agents, assigns and successors agree that upon the Closing, Lessee shall be deemed conclusively to have released and discharged Lessor and its agents, employees, trustees, assigns and successors, from any and all damages, losses, demands, claims, debts, liabilities, obligations, causes of action and rights, whether known or unknown, by Lessee regarding the Leased Premises, including, but not limited to, the environmental condition of the Leased Premises.

(c) Waiver of Civil Code § 1542. Lessee agrees that, with respect to the General Release contained in Section 9.4(b) above, the General Release extends to all matters regarding the Leased Premises, whether or not claimed or suspected, to and including the date of execution hereof, and constitutes a waiver of each and all the provisions of the California Civil Code § 1542, which reads as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

Lessee herein acknowledges that the effect and import of the provisions of Civil Code § 1542 have been explained to it by its own counsel. Lessee understands and acknowledges the significance and the consequence of such specific waiver of unknown claims and hereby assumes full responsibility for any injuries, damages, losses or liabilities that it may hereinafter incur from the waiver of these unknown claims.

Section 9.5 Environmental Work. The Lessee shall be responsible for performing the work of any investigation and remediation on the Leased Premises which may be required in order to develop the Leased Premises, except for the remediation related to the demolition of the buildings located on the site prior to the conveyance to Lessee, which shall be the responsibility of the Lessor. Other than any Hazardous Substances disclosed in the Site Mitigation Plan and the required remediation described therein, the determination as to whether any such remediation is needed, and as to the scope and methodology thereof, shall be made by mutual agreement of the governmental agency with responsibility for monitoring such remediation, the Lessor and the Lessee. The Lessee shall notify the Lessor promptly upon discovery of any actionable levels of Hazardous Substances, and upon any release thereof, and shall consult with the Lessor in order to establish the extent of remediation to be

undertaken and the procedures by which remediation thereof shall take place. The Lessee shall comply with, and shall cause its agents and contractors to comply with, all laws regarding the use, removal, storage, transportation, disposal and remediation of Hazardous Substances. The investigation and remediation work shall be carried out in accordance with all applicable laws (including Hazardous Materials Laws) and such other procedures and processes as may be described in this Lease. Notwithstanding the foregoing, Lessor shall bear the cost of any remediation expense covered by Lessor's indemnity pursuant to Section 9.3(e) and this Section 9.5 shall not be construed to limit such indemnity.

ARTICLE 10
EMINENT DOMAIN

Section 10.1 Termination of Lease. Lessor and Lessee agree that, in the event of a Taking such that Lessee reasonably determines that the Leased Premises cannot continue to be operated, at reasonable cost, for its then-current use, then, subject to the rights of Leasehold Mortgagees, this Lease shall, at Lessee's sole option, terminate as of the Taking Date.

Section 10.2 Continuation of Lease and Presumption of Restoration. Lessor and Lessee agree that, in the event of a Taking that does not result in the termination of this Lease pursuant to Section 10.1 above, this Lease shall continue in effect as to the remainder of the Leased Premises, and the Net Condemnation Award will be disbursed in accordance with Section 10.4 below to Lessee and/or any Leasehold Mortgagee, if the terms of the applicable Leasehold Mortgage so require, and shall be used so as to make the same a complete, unified and efficient operating unit as nearly as reasonably possible to the condition existing prior to the Taking, subject to any applicable requirements of the Leasehold Mortgagee.

Section 10.3 Temporary Taking. If there shall be a temporary Taking with respect to all or any part of the Leased Premises or of Lessee's interest in this Lease, then the Term shall not be reduced and Lessee shall continue to pay all Rents, Impositions and other charges required herein, without reduction or abatement thereof at the times herein specified; provided, however, that Lessee shall not be required to perform such obligations that Lessee is prevented from performing by reason of such temporary Taking. Any award payable for or on account of such temporary Taking shall be paid to Lessee.

Section 10.4 Award. Prior to the Closing, if there is a Taking, whether whole or partial Lessor shall be entitled to receive and retain any Net Condemnation Award. After the Closing, subject to the rights of Leasehold Mortgagees, if there is a Taking, whether whole or partial, Lessor and Lessee shall be entitled to receive and retain such separate awards and portions of lump sum awards as may be allocated to their respective interests in any condemnation proceedings, or as may be otherwise agreed, taking into consideration the fact that Lessor's interest in the Leased Premises is limited to the land (exclusive of the Improvements), and a reversionary interest in the Improvements upon the expiration of the Term ("Lessor's Interest"). If the Leased Premises shall be restored as is contemplated in Section 10.2 above, Lessee shall be entitled to recover the costs and expenses incurred in such restoration out of any Net Condemnation Award. Thereafter, if the condemning authority

does not make separate awards, the Parties agree that any Net Condemnation Award will be allocated on a proportionate basis, with the value of Lessor's Interest paid to Lessor and the remainder of the Net Condemnation Award being paid to Lessee. If the Parties are unable to agree as to the exact amount of such allocation, then each Party shall select an independent M.A.I. real estate appraiser (an "Appraiser"). Each Appraiser shall separately determine the amount of the balance of the Net Condemnation Award that is to be allocated to the interests of each Party. If the percentage of the balance of the Net Condemnation Award each Appraiser allocates to Lessor (a) are within ten percent (10%) of each other, the two allocations shall be averaged, and such average shall be the final allocation of the Net Condemnation Award, or (b) are not within ten percent (10%) of each other, the two Appraisers shall then select a third Appraiser, who shall independently allocate the Net Condemnation Award between Lessor and Lessee, and the middle of such three allocations shall be the final allocation of the Net Condemnation Award. Notwithstanding the foregoing, if a Taking occurs while a Leasehold Mortgage is in effect, condemnation proceeds shall be applied in accordance with the terms of that lender's Leasehold Mortgage.

Section 10.5 Joinder. If a Leasehold Mortgage exists, the Leasehold Mortgagees, to the extent permitted by law, shall be made a party to any Taking proceeding.

ARTICLE 11
DAMAGE OR DESTRUCTION

Section 11.1 Damage or Destruction to Leased Premises. Lessee shall give prompt written notice to Lessor after the occurrence of any fire, earthquake, act of God or other casualty to or in connection with the Leased Premises, the Improvements or any portion thereof (hereinafter sometimes referred to as a "Casualty"). Subject to Section 11.2 below and the rights of any Leasehold Mortgagees, if during the Term the Improvements shall be damaged or destroyed by Casualty, Lessee shall repair or restore the Improvements, so long as Lessee determines, in its sole discretion, that it is feasible to do so and in such event Lessee provides or causes to be provided sufficient additional funds which, when added to such insurance proceeds, will fully effect such repair or restoration. Upon the occurrence of any such Casualty, Lessee, promptly and with all due diligence, shall apply for and collect all applicable insurance proceeds recoverable with respect to such Casualty. In the event that Lessee shall determine, subject to the rights of the Leasehold Mortgagees, by notice to Lessor given within thirty (30) days after receipt by Lessee of any such insurance proceeds, that it is not economically practical to restore the Improvements and/or the Leased Premises to substantially the same condition in which they existed prior to the occurrence of such Casualty, then Lessee may terminate this Lease as of a date that is not less than thirty (30) days after the date of such notice. If Lessee terminates this Lease pursuant to this Section 11.1, Lessee shall surrender possession of the Leased Premises to Lessor immediately and assign to Lessor (or, if same has already been received by Lessee, pay to Lessor) all of its right, title and interest in and to the proceeds from Lessee's insurance upon the Leased Premises, subject to the prior rights of any Leasehold Mortgagee therein, as referenced in Section 11.3 below. Notwithstanding the foregoing, if a Casualty occurs while a Leasehold Mortgage is in effect, insurance proceeds shall be delivered to the lender in accordance with the terms of that lender's Leasehold Mortgage.

Section 11.2 Damage or Destruction Near End of Term. If, during the last seven (7) years of the Term, the Improvements shall be damaged by Casualty, then Lessee shall have the option, to be exercised within one hundred twenty (120) days after such Casualty:

(a) to repair or restore the Improvements as hereinabove provided in this Article 11; or

(b) subject to the rights of Leasehold Mortgagees, to terminate this Lease by notice to Lessor, which termination shall be deemed to be effective as of the date of the Casualty. If Lessee terminates this Lease pursuant to this Section 11.2, Lessee shall surrender possession of the Leased Premises to Lessor immediately and assign to Lessor (or, if same has already been received by Lessee, pay to Lessor) all of its right, title and interest in and to the proceeds from Lessee's insurance upon the Leased Premises, subject to the prior rights of any Leasehold Mortgagee therein, as referenced in Section 11.3 below.

Section 11.3 Distribution of Insurance Proceeds. In the event that insurance proceeds are not applied to restoration of the Property and this Lease is terminated pursuant to Sections 11.1 or 11.2 hereof, the insurance proceeds received as the result of such Casualty shall be distributed to lenders in accordance with that lender's Leasehold Mortgage if such Casualty occurs while that lender's Leasehold Mortgage is in effect and otherwise in accordance with Section 11.1 hereof.

ARTICLE 12
EVENTS OF DEFAULT

Section 12.1 Events of Default. Each of the following shall be an "Event of Default" by Lessee hereunder:

(a) failure by Lessee to pay any Rent when due or to pay or cause to be paid any Impositions, insurance premiums or other liquidated sums of money herein stipulated to be paid by Lessee, if such failure shall continue for a period of fifteen (15) days after notice thereof has been given by Lessor to Lessee;

(b) failure by Lessee to perform or observe any of the provisions of this Lease stipulated in this Lease to be observed and performed by Lessee, if such failure shall continue for a period of thirty (30) days after notice thereof has been given by Lessor to Lessee; provided, however, that if any such failure cannot reasonably be cured within such thirty (30)-day period, then Lessor shall not have the right to terminate this Lease or Lessee's right to possession hereunder so long as Lessee promptly commences the curing of any such failure and thereafter proceeds in good faith and with due diligence to remedy and correct such failure within a reasonable period of time; provided, however, that such period shall not extend for more than one hundred twenty (120) days after the date of Lessor's notice to Lessee;

(c) the failure of Lessee to cure, within the period prescribed by statute, any Notice of Default recorded by the holder of a Leasehold Mortgage on the Lessee's Estate;

(d) the subjection of any right or interest of Lessee in this Lease to attachment, execution or other levy, or to seizure under legal process, if not released within sixty (60) days; provided that the foreclosure of any Leasehold Mortgage shall not be construed as an Event of Default within the meaning of this Subsection 12.1(d);

(e) the appointment of a receiver, not including receivership pursuant to any Leasehold Mortgage, to take possession of Lessee's Estate or of Lessee's operations on the Leased Premises for any reason, if such receivership is not terminated, dismissed or vacated within ninety (90) days after the appointment of the receiver;

(f) the filing by Lessee of a petition for voluntary bankruptcy under the Bankruptcy Code of the United States or any similar law, state or Federal, now or hereafter in effect, if such petition is not dismissed within sixty (60) days of the date of filing;

(g) the filing against Lessee of any involuntary proceedings under such Bankruptcy Code or similar law, if such proceedings have not been vacated or stayed within ninety (90) days of the date of filing;

(h) the appointment of a trustee or receiver for Lessee or for all or the major part of Lessee's property or the Leased Premises, in any involuntary proceeding, not including pursuant to any Leasehold Mortgage, or taking of jurisdiction by any court over all or the major part of Lessee's property or the Leased Premises in any involuntary proceeding for the reorganization, dissolution, liquidation or winding up of Lessee, if such trustee or receiver shall not be discharged or such jurisdiction relinquished or vacated or stayed on appeal or otherwise stayed within ninety (90) days; or

(i) a general assignment by Lessee for the benefit of creditors or Lessee's admittance in writing of its insolvency or inability to pay its debts generally as they become due or Lessee's consent to the appointment of a receiver or trustee or liquidator for Lessee, all or the major part of its property, or the Leased Premises.

Section 12.2 Rights and Remedies.

(a) At any time after the occurrence of an Event of Default hereunder, Lessor, subject in all respects to the provisions of this Lease with respect to Lessor's rights to cure defaults by Lessee and with respect to the rights of any Leasehold Mortgagees, and subject further to the provisions of Section 12.3 of this Lease, may terminate this Lease by giving Lessee written notice thereof (with a copy of such notice to the Leasehold Mortgagees), setting forth in such notice an effective date for termination which is not less than thirty (30) days after the date of such notice, in which event this Lease and Lessee's Estate created hereby and all interest of Lessee and all parties claiming by, through or under Lessee shall automatically terminate upon the effective date for termination as set forth in such notice, with the same force and effect and to the same extent as if the effective date of such notice had been the date originally fixed in Article 2 hereof for the expiration of the Term. In

such event, Lessor, its agents or representatives, shall have the right, without further demand or notice, to re-enter and take possession of the Leased Premises (including all buildings and other Improvements comprising any part thereof) at any time from and after the effective termination date without being deemed guilty of any manner of trespass and without prejudice to any remedies for arrears of rent or existing breaches of covenants; provided that Lessor shall not be entitled to disturb possession of any Tenants or others in possession pursuant to Tenant Leases with Lessee so long as such Tenants or others are not in default thereunder and attorn to Lessor as their lessor.

(b) Upon the exercise of Lessor's remedies pursuant to this Section 12.2, Lessee shall execute such releases, deeds and other instruments in recordable form as Lessor shall reasonably request in order to accurately set forth of record the then current status of Lessee's Estate and Lessee's rights hereunder.

Section 12.3 Deficiency Judgments. Lessor, for itself and for each and every succeeding owner of Lessor's Estate in the Leased Premises, agrees that it shall never be entitled to seek a personal judgment against Lessee or its partners and that (a) upon any Event of Default hereunder, the rights of Lessor to enforce the obligations of Lessee, its successors or assigns, or to collect any judgment, shall be limited to the termination of this Lease and of Lessee's Estate and the enforcement of any other rights and remedies specifically granted to Lessor hereunder, provided, however, that the limitations set forth in this Section 12.3 shall not be applicable to (i) fraud, or (ii) misappropriation of any Net Condemnation Award or insurance proceeds or any other funds that Lessee now or hereafter holds or controls for the benefit of or otherwise belonging to Lessor.

Section 12.4 Default by Lessor.

(a) Events of Default. Lessor shall be in default of this Lease if it fails to perform any provision of this Lease that it is obligated to perform or if any of Lessor's representations or warranties is untrue or becomes untrue in any material respect, and if the failure to perform or the failure of such representation or warranty is not cured within thirty (30) days after written notice of the default has been given to Lessor. If the default cannot reasonably be cured within thirty (30) days, Lessor shall not be in default of this Lease if Lessor commences to cure the default within such thirty (30)-day period and diligently and in good faith continues to cure the default until completion.

(b) Right to Cure; Lessee's Remedies. If Lessor shall have failed to cure a default by Lessor after expiration of the applicable time for cure of a particular default, Lessee, at its election, but without obligation therefor (i) may seek specific performance of any obligation of Lessor, after which Lessee shall retain, and may exercise and enforce, any and all rights that Lessee may have against Lessor as a result of such default, (ii) from time to time without releasing Lessor in whole or in part from the obligations to be performed by Lessor hereunder, may cure the default at Lessor's cost, (iii) may terminate this Lease, and/or (iv) may exercise any other remedy given hereunder or now or hereafter existing at law or in equity. Any reasonable costs incurred by Lessee in order to cure such a default by Lessor shall be due immediately from Lessor, together with interest, and may be offset against any amounts due from Lessee to Lessor.

Section 12.5 Notices. Notices given by Lessor under Section 12.1 or by Lessee under Section 12.4 shall specify the alleged default and the applicable Lease provisions, and shall demand that Lessee or Lessor, as applicable, perform the appropriate provisions of this Lease within the applicable period of time for cure. No such notice shall be deemed a forfeiture or termination of this Lease unless expressly set forth in such notice.

ARTICLE 13
QUIET ENJOYMENT AND POSSESSION; INSPECTIONS

Section 13.1 Quiet Enjoyment. Lessor covenants and warrants that Lessee shall peaceably and quietly have, hold, occupy, use and enjoy, and shall have the full, exclusive and unrestricted use and enjoyment of, all of the Leased Premises during the Term, subject only to the provisions of this Lease and all applicable Legal Requirements.

Section 13.2 Lessor's Right of Inspection. Notwithstanding Section 13.1 above, Lessor, in person or through its agents, upon at least 48 hours prior written notice to Lessee, shall have the right, subject to the rights of Tenants, to enter upon the Leased Premises for purposes of reasonable inspections performed during reasonable business hours in order to assure compliance by Lessee with its obligations under this Lease.

ARTICLE 14
VACATION OF LEASED PREMISES

Lessee covenants that upon any termination of this Lease, whether by lapse of time or because of any of the conditions or provisions contained herein, Lessee will peaceably and quietly yield and surrender possession of the Leased Premises to Lessor. The foregoing, however, will be subject to the rights of Tenants or others in possession pursuant to Tenant Leases with Lessee, provided that such Tenants are not in default thereunder and attorn to Lessor as their lessor. An action of forcible detainer shall lie if Lessee holds over after a demand for possession is made by Lessor.

ARTICLE 15
NON-MERGER

Except upon expiration of the Term or upon termination of this Lease pursuant to an express right of termination set forth herein, there shall be no merger of either this Lease or Lessee's Estate created hereunder with the fee estate of the Leased Premises or any part thereof by reason of the fact that the same person may acquire, own or hold, directly or indirectly, (a) this Lease, Lessee's Estate created hereunder or any interest in this Lease or Lessee's Estate (including the Improvements), and (b) the fee estate in the Leased Premises or any part thereof or any interest in such fee estate (including the Improvements), unless and until all persons, including any assignee of Lessor, having an interest in (i) this Lease or

Lessee's Estate created hereunder, and (ii) the fee estate in the Leased Premises or any part thereof, shall join in a written instrument effecting such merger and shall duly record the same.

ARTICLE 16
ASSIGNMENTS AND TRANSFERS

Section 16.1 Consent Required. Except as expressly provided herein Lessee shall not, without the prior written consent of Lessor, assign this Lease or any interest therein ("Transfer"). A Transfer shall be deemed to include any attempt by Lessee to (a) demolish all or any portion of the Leased Premises after construction of the Improvements; (b) make or permit any voluntary or involuntary, total or partial, sale, lease, assignment, conveyance, mortgage, pledge, encumbrance, or other transfer of any or all of the Leased Premises, or the Improvements; or (c) transfer, convey or assign (i) any interest of a managing member, general partner, or controlling affiliate or stockholder (any such interest being referred to as a "Controlling Interest") in the Lessee or (ii) a Controlling Interest in any entity which has a Controlling Interest in the Lessee , or (iii) prior to payment in full of all equity contributions described in the approved evidentiary documents, any other interest in the Lessee, or in any partner or member thereof.

Section 16.2 Limitations on Consent Requirement. Notwithstanding the foregoing:

(a) The consent of the Lessor shall not be required for:

(1) Mortgage of Lessee's interest in the Leased Premises and Improvements to any approved Leasehold Mortgagee, and transfer of the Leased Premises and Improvements to such Leasehold Mortgagee by foreclosure or deed-in-lieu of foreclosure (or the leasehold equivalent thereof), or to a third-party purchaser pursuant to a foreclosure sale (or the leasehold equivalent thereof);

(2) conveyance or dedication of land for use as streets, alleys, or other public rights-of-way, and grants and easements for the establishment, operation, and maintenance of utility services;

(3) subordinate liens created in connection with purchase or financing of replacements or repairs necessary for the normal use and operation of the Improvements;

(4) normal uses and encumbrances associated with the operation of the Leased Premises and Improvements; and

(b) Lessor agrees that it shall not unreasonably withhold, delay or condition its approval of an internal reorganization of the corporate or partnership structure of the Lessee or any of the partners, members or stockholders of the Lessee, or any assignment of this Lease in connection therewith.

Section 16.3 Subsequent Assignment. In cases where Lessor's consent is required, Lessor's consent to one assignment will not waive the requirement of its consent to any subsequent assignment.

Section 16.4 Request for Consent. If Lessee requests Lessor's consent to a specific assignment, Lessee shall provide to Lessor such information as may reasonably be required by Lessor.

Section 16.5 Grant of Purchase Option to Lessor or Affiliate. Notwithstanding anything to the contrary set forth in any other provision of this Lease, nothing shall prohibit (i) the granting of a purchase option and/or right of first refusal to the Lessor, or its affiliate, to purchase the Lessee's Estate as provided in the Purchase Option Agreement and/or (ii) the exercise of such Option in accordance with the Purchase Option Agreement.

ARTICLE 17
MISCELLANEOUS PROVISIONS

Section 17.1 Entire Agreement: Modifications. This Lease supersedes all prior discussions and agreements between the Parties with respect to the leasing of the Leased Premises. This Lease contains the sole and entire understanding between the parties with respect to the leasing of the Leased Premises pursuant to this Lease, and all promises, inducements, offers, solicitations, agreements, representations and warranties heretofore made between the Parties, if any, are merged into this Lease. This Lease shall not be modified or amended in any respect, except by written instrument specifically referencing such a modification or amendment which is executed by or on behalf of the Parties in the same manner as this Lease is executed and to which each Leasehold Mortgagee has consented in writing.

Section 17.2 Governing Law. This Lease, and the rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the substantive laws of the State of California.

Section 17.3 Binding Effect. This Lease shall inure to the benefit of and be binding upon the Parties hereto, their heirs, successors, administrators, executors and permitted assigns.

Section 17.4 Severability. In the event any provision or portion of this Lease is held by any court of competent jurisdiction to be invalid or unenforceable, such holdings shall not affect the remainder hereof, and the remaining provisions shall continue in full force and effect to the same extent as would have been the case had such invalid or unenforceable provision or portion never been a part hereof, except to the extent the rights and obligations of the parties have been materially altered by such unenforceability.

Section 17.5 Further Assurances. From and after the date of this Lease, Lessor and Lessee, at the request of the other Party, shall make, execute and deliver or obtain and deliver all such affidavits, deeds, certificates, resolutions and other instruments and documents, and

shall do or cause to be done all such other things that either Party may reasonably require in order to effectuate the provisions and the intention of this Lease

.

Section 17.6 Captions. All captions, headings, paragraphs, subparagraphs, letters and other reference captions are solely for the purpose of facilitating convenient reference to this Lease, shall not supplement, limit or otherwise vary the text of this Lease in any respect, and shall be wholly disregarded when interpreting the meaning of any terms or provisions hereof. All references to particular articles, sections, subsections, paragraphs and subparagraphs by number refer to the text of such items as so numbered in this Lease.

Section 17.7 Gender. Words of any gender used in this Lease shall be held and construed to include any other gender, and words of a singular number shall be held to include the plural, and vice-versa, unless the context requires otherwise.

Section 17.8 Exhibits. Each and every exhibit referred to or otherwise mentioned in this Lease is attached to this Lease and is and shall be construed to be made a part of this Lease by such reference or other mention at each point at which such reference or other mention occurs, in the same manner and with the same effect as if each exhibit were set forth in full at length every time it is referred to and otherwise mentioned.

Section 17.9 References. All references to paragraphs or subparagraphs shall be deemed to refer to the appropriate paragraph or subparagraph of this Lease. Unless otherwise specified in this Lease, the terms "herein", "hereof", "hereinafter", "hereunder" and other terms of like or similar import, shall be deemed to refer to this Lease as a whole, and not to any particular paragraph or subparagraph hereof.

Section 17.10 Rights Cumulative. Except as expressly limited by the terms of this Lease, all rights, powers and privileges conferred hereunder shall be cumulative and not restrictive of those provided at law or in equity.

Section 17.11 Notices. All notices, requests, demands, or other communications required or permitted to be given hereunder shall be in writing and shall be addressed and delivered by hand or by certified mail, return receipt requested, or by Federal Express, or by hand delivery by a recognized, reputable courier, to each party at the addresses set forth below. Any such notice, request, demand or other communication shall be considered given or delivered, as the case may be, on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which proper notice was not given shall be deemed to be receipt of the notice, request, demand or other communication. By giving prior written notice thereof, any Party, from time to time, may change its address for notices hereunder. Legal counsel for the respective Parties may send to the other Party any notices, requests, demands or other communications required or permitted to be given hereunder by such Party.

To Lessor: Housing Authority of the City and County of San Francisco
440 Turk Street
San Francisco, CA 94102
Attention: Gregg Fortner, Executive Director

and to: Goldfarb & Lipman
1300 Clay Street, 9th Floor
City Center Plaza
Oakland, CA 94612
Attention: Michelle D. Brewer

To Lessee: North Beach Retail Associates, LLC
c/o The John Stewart Company, Inc.
1388 Sutter Street, 11th Floor
San Francisco, CA 94109
Attention: Jack Gardner

and to: Sheppard, Mullin, Richter and Hampton
Embarcadero Center Four, 17th Floor
San Francisco, CA 94111
Attention: Rebecca Hlebasko

and to: EM Johnson Interest, Inc.
2121 Peralta Street, Suite 134
Oakland, CA 94607
Attention: Michael Johnson

BRIDGE Housing Corporation
One Hawthorne Street, Suite 400
San Francisco, CA 94105

Section 17.12 Counterparts. This lease may be executed in several counterparts, each of which shall be deemed an original, and all such counterparts together shall constitute one and the same agreement.

Section 17.13 Time of Essence. Time is and shall be of the essence in this Lease.

Section 17.14 Relationship of Parties. No relationship exists between Lessor and Lessee other than landlord and tenant. The parties hereto expressly declare that, in connection with the activities and operations contemplated by this Lease, they are neither partners nor joint venturers, nor does a debtor-creditor, principal-agent or any other relationship except as aforesaid, exist between them.

ARTICLE 18
PARTICULAR COVENANTS

Section 18.1 Non-Discrimination.

(a) Lessee shall not discriminate against, or segregate any person or group of persons on the grounds of race, color, creed, religion, sex, sexual orientation, condition of Acquired Immune Deficiency Syndrome (AIDS) or AIDS-related complex, marital status, national origin or ancestry or disability in the lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Leased Premises nor shall Lessee, or any person claiming under or through Lessee, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of Tenants, lessees, subtenants, sublessees or vendees of the Leased Premises. The foregoing covenant shall run with the land.

(b) Lessor shall be entitled to invoke any remedies available at law or in equity to redress any breach of this subsection or to compel compliance therewith by Lessee. The obligations of Lessee and Lessor to comply with Section 18.1(a) above shall inure to the benefit of each other. Lessor shall be entitled to invoke any remedies available at law or in equity to redress any breach of this Article 18 or to compel compliance therewith by Lessee.

Section 18.2 Section 3 Requirements. Lessee shall assist and encourage the training and hiring of residents, including minority residents, to the maximum extent feasible before, during and after construction of the Improvements in compliance with the Resident Hiring Plan attached hereto as Exhibit E. Lessee shall comply in all respects with Section 3 of the Housing and Urban Development Act of 1968, Lessor's Section 3 Requirements, and all provisions of Lessor's Affirmative Action Requirements, all of which are attached hereto as Exhibit F, including the minimum contracting goals defined and set forth therein, and shall submit to Lessor's Director of Housing Development all reports required thereby, both at the commencement of construction and during the construction process.

Section 18.3 Covenants Binding Upon Successors. This Lease is a covenant running with the land and obligates Lessee and Lessor, and any successor who acquires title to the Lessee's estate by foreclosure of a Leasehold Mortgage, to maintain and operate the Improvements in compliance with this Agreement.

IN WITNESS WHEREOF, this Lease is made and entered into as of the day and year first above written.

LESSOR:

HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO

By: _____
Gregg Fortner, Executive Director

LESSEE:

North Beach Retail Associates, LLC a California limited liability company

By: BRIDGE Housing Corporation, a California nonprofit public benefit corporation, its member

By: _____

Its: _____

By: EM Johnson Interest, Inc., a California corporation, its member

By: _____

Its: _____

By: The John Stewart Company, Inc., a California corporation, its member

By: _____

Its: _____

DOCUMENTS DEPT.

DEC 18 2002

SAN FRANCISCO
PUBLIC LIBRARY

PURCHASE OPTION AGREEMENT AND RIGHT OF FIRST REFUSAL

This Purchase Option Agreement (the "**Agreement**") is made and entered into as of this ___ day of _____, 2002, by and between North Beach Housing Associates, a California Limited Partnership, ("**Owner**"), BRIDGE Housing Corporation, a California nonprofit public benefit corporation ("**BRIDGE**"), and the Housing Authority of the City and County of San Francisco (the "**Authority**") with reference to the following recitals of fact:

RECITALS:

A. WHEREAS, Owner has a leasehold estate in that certain real property located in the City of San Francisco, State of California and more particularly described on Exhibit A attached hereto and incorporated herein by this reference, and certain improvements situated thereon, consisting of a 341 unit low income housing development (collectively, the "**Property**" – "Property" shall include, without limitation, any operating reserves and/or replacement reserves), commonly known as North Beach Place;

B. WHEREAS, Owner desires to grant to the Authority (and BRIDGE, if such rights are not exercised by the Authority) an option to purchase the Property;

C. WHEREAS, Owner desires to grant to the Authority (and BRIDGE, if such rights are not exercised by the Authority) a right of first refusal with respect to a proposed sale of the Property; and

D. WHEREAS, the parties hereto desire to set forth the terms of the option granted hereinbelow from Owner to the Authority (and to BRIDGE, if such rights are not exercised by the Authority) and the right of first refusal granted hereinbelow from Owner to the Authority (and to BRIDGE, if such rights are not exercised by the Authority) to purchase the Property.

E. Unless otherwise defined in this Agreement, all capitalized terms shall have the meaning ascribed to them in the Amended and Restated Agreement of Limited Partnership of North Beach Housing Associates ("Partnership Agreement").

NOW, THEREFORE, the parties hereto agree as follows:

AGREEMENT:

1. Grant of Option. Owner hereby grants to the Authority (and to BRIDGE, if such rights are not exercised by the Authority) an option (the "**Option**") to purchase the Property on the terms and conditions set forth in this Agreement.

2. Term of Option; Posting Bond.

(a) Term. The term of the Option shall commence on the first day of the 11th year following the commencement of the ten-year tax credit period for the Property, and shall expire at 11:59 p.m. (Pacific Standard Time) on the last day of the 20th year following the commencement of such ten-year tax credit period (the "**Option Term**"). In the event that different component buildings that comprise the Property have different tax credit periods, the Option Term will be based on the earliest of these periods. The Option Term will be split into two component terms, the **Authority Option Term** and the **BRIDGE Option Term**. The Authority Option Term shall begin simultaneously with the Option Term, and shall expire at 11:59 p.m. (Pacific Standard Time) on the day that is eighteen months after the end of the **Compliance Period** for the Property, as defined in Section 42 of the Internal Revenue Code of 1986, as amended (the "**Code**"). The BRIDGE Option Term shall begin on the day following the expiration of the Authority Option Term and shall expire simultaneously with the Option Term. Notwithstanding anything to the contrary contained herein, with respect to BRIDGE's rights hereunder (but not as to the Authority's rights hereunder) the BRIDGE Option Term shall terminate upon the removal of BRIDGE Housing Ventures, Inc. (or any successor thereto as general partner of Owner, including, without limitation, North Beach Housing, Inc.) as a general partner of Owner pursuant to the terms of the Partnership Agreement, as the same may be amended from time to time.

(b) Bond. It shall be a condition precedent to the exercise of the Option at any time prior to the end of the Compliance Period that the Optionee (i) provide a recapture bond required pursuant to Section 42(j)(6) of the Code to and for the benefit of the Investor Limited Partner and the Special Limited Partner, and (ii) covenant and agree to maintain the Apartment Complex as a qualified low-income housing project for the balance of the Compliance Period.

3. Manner of Exercising Option.

(a) Notice. The Authority may exercise the Option by delivering to Owner, at any time during the Authority Option Term, written notice to Owner of such exercise, and, if the Option is exercised prior to the end of the Compliance Period, evidence of posting of the bond required in Section 2(b). BRIDGE may exercise the Option by delivering to Owner, at any time during the BRIDGE Option Term, written notice to Owner of such exercise, if the Authority has not previously exercised the Option. The notice of exercise shall state that the Option is exercised without condition or qualification. Whichever of BRIDGE or the Authority exercises the Option shall be referred to hereinafter as the "**Optionee**".

(b) Limitations of Option and Right of First Refusal. Neither the Option nor the Right of First Refusal (granted in Paragraph 5 below) may be exercised unless all amounts then owed the Investor Limited Partner under the Partnership Agreement and the Guaranty Agreement (all as defined in the Partnership Agreement) have been, or concurrently with the acquisition will be, paid in full, or if a General Partner default exists under the Partnership Agreement.

4. Purchase Price. The purchase price for the Property pursuant to the Option shall be the greater of the following amounts, subject to the provisos set forth hereinbelow:

(a) (i) Debt and Taxes. The sum of (i) the amount of any outstanding indebtedness secured by the Property, which indebtedness may be assumed by the Optionee, if permitted by the lenders associated therewith, and (ii) the amount of federal, state and local tax liability that the partners of Owner would incur as a result of such sale.

(ii) Fair Market Value. The fair market value of the Property, appraised pursuant to Section 4(b) below as a low-income housing development to the extent continuation of such use is required under any restrictions applicable to the Property, reduced by six percent (6%) to take into account the fact that no brokerage commission is payable by Owner in connection with the sale, Any such appraisal shall be made in the manner described in paragraph 4(b) below and the appraisers performing such appraisals shall each be members of the Master Appraiser Institute and shall have experience in the geographic area in which the Property is located.

(b) The fair market value of the Property shall be determined as follows: Owner and the Optionee shall select a mutually acceptable appraiser. In the event the parties are unable to agree upon an appraiser Owner and the Optionee shall each select an appraiser. For purposes of this subparagraph 4(b), the parties hereto agree that, on behalf of Owner, the Special Limited Partner shall have the right to select the appraiser(s) that Owner is entitled to select hereunder. If 94% of each appraisal is less than the purchase price set forth in subparagraph 4(a)(i) above, the purchase price shall be as set forth in Paragraph 4(a)(i). In all other events, if the difference between the two appraisals is less than or equal to ten percent (10%) of the lower of the two appraisals, the fair market value shall be the average of the two appraisals. If the difference between the two appraisals is greater than ten (10%) of the lower of the two appraisals, and at least one of the appraisals exceeds the amount described in 4(a)(i), then the two appraisers shall jointly select a third appraiser whose determination of fair market value shall be deemed binding on all parties. If the two appraisers are unable jointly to select a third appraiser, either Owner or the Optionee may, upon written notice to the other, request that the appointment be made by the then President of the San Francisco, California Chapter of the American Arbitration Association, or his or her designee. The appraisal shall take into account the requirement that the Property remain dedicated for the use of low income persons, as well as any restrictions under any loan agreements or regulatory agreements pertaining to the Property, and the requirements of the Code, and the terms of any assumable financing. Owner and the Optionee shall share the cost equally of any appraiser jointly selected or shall pay the costs of the appraiser they each select and shall share the cost equally for any third appraiser, including any appraiser chosen by the American Arbitration Association chapter president.

5. Right of First Refusal. If, at any time during the Option Term, Owner receives a bona fide offer from an unrelated third party to purchase the Property from Owner, Owner shall deliver a copy of the proposed offer to BRIDGE and to the Authority and BRIDGE and the Authority shall each have the right, to be exercised by written notice to Owner within forty-five (45) days after receipt of a copy of the proposed offer from Owner, to respond in writing to

Owner indicating that it desires to purchase the Property and on exactly the terms and conditions set forth in the notice, except that the purchase price shall be determined in accordance with Paragraph 4(a)(i) (the "**Refusal Right**"). If the Authority does timely respond, it shall have the Refusal Right and BRIDGE shall have no further rights hereunder, even if it timely responded. If the Authority does not timely respond to Owner's notice and BRIDGE does timely respond, BRIDGE shall have the Refusal Right and the Authority shall have no further rights hereunder. If neither BRIDGE nor the Authority timely responds to Owner's notice, Owner will be free to sell the Property on substantially the terms set forth in the notice. The foregoing Paragraph 5 shall not apply with respect to BRIDGE unless BRIDGE is still recognized as a qualified nonprofit organization under Code Section 42(i)(7), as the same may be amended, at such time as Owner receives a bona fide offer from an unrelated third party to purchase the Property.

6. Completion of Sale.

(a) Prior to the close of escrow on the Property following exercise of the Option or the Refusal Right, Owner shall cause a title company to issue, upon close of escrow, an ALTA owner's policy of title insurance dated as of the close of escrow, in an amount equal to the purchase price for the Property, showing title to the Property vested in the Authority or BRIDGE, as appropriate, and showing as exceptions all encumbrances of record.

(b) Escrow for the sale of the Property shall close no later than one hundred eighty (180) days after Owner's receipt of the written notice of exercise of the Option or the Refusal Right, as the case may be, at which time the purchase price shall be due and payable. The Authority or BRIDGE, as appropriate, shall use its best efforts to obtain the consent to the sale of the holders of any mortgages or deeds of trust on the Property, if required. Owner shall convey the Property to the Authority or BRIDGE, as appropriate, by means of a grant deed. The costs of such sale shall be apportioned between Owner and the Authority or BRIDGE, as appropriate, according to the custom then in effect in San Francisco, California. The following shall apply to the sale of the Property: (i) the sale of the Property shall be on an as-is, where-is basis, without representation or warranty, except such representations or warranties as are customarily included in a grant deed in California; and (ii) rents, insurance, taxes and debt service then due and payable shall be apportioned as of the day the grant deed is actually recorded in the official records of San Francisco County, California.

7. Quitclaim Deed and Termination of Option. Upon termination of the Option Term, the Authority and BRIDGE each agrees, upon Owner's request, to (a) execute and deliver to Owner a quitclaim deed, releasing all of BRIDGE's and the Authority's right, title and interest in and to the Option and the Refusal Right within thirty (30) days after termination of the Option Term, and (b) execute, acknowledge and deliver such other documents as may be reasonably required by Owner's title company to remove the cloud of the Option and the Refusal Right from title to the Property.

8. Assignment. The Authority may assign its interest in this agreement to any entity. BRIDGE may assign its interest in this agreement only with the prior written consent of the

Authority.

9. Representations and Warranties of BRIDGE. BRIDGE hereby represents and warrants to the Owner, and its limited partners, that it has received a so-called "determination letter" from the Internal Revenue Service confirming that BRIDGE is exempt from federal income taxes pursuant to Section 501(c)(3) of the Code. BRIDGE further represents and warrants to the Owner and its limited partners that it has not received any further communication from the Internal Revenue Service revoking, rescinding or otherwise modifying such determination letter, and that BRIDGE has taken no act which could or would result in the revocation, rescission or modification of its determination letter.

10. Notices. Notices, demands and communications between the parties shall be in writing and shall be served personally or by depositing the same in the certified United States mail, return receipt requested, post prepaid, and, if intended for Owner shall be addressed to:

c/o BRIDGE Housing Corporation
One Hawthorne Street, Suite 400
San Francisco, CA 94105
Attention: President

with a copy to:

Gubb & Barshay
50 California St., Suite 3155
San Francisco, CA 94111-4601
Attention: Natalie Gubb, Esq.

and:

RCC Credit Facility, L.L.C.
625 Madison Avenue
New York, New York 10022
Attention: Marc D. Schnitzer

with a copy to:

Proskauer Rose LLP
2049 Century Park East, Suite 3200
Los Angeles, California 90067
Attention: Kenneth Krug, Esq.

if intended for BRIDGE shall be addressed to:

BRIDGE Housing Corporation
One Hawthorne Street, Suite 400
San Francisco, CA 94105
Attention: President

with a copy to:

Gubb & Barshay
50 California St., Suite 3155
San Francisco, CA 94111-4601
Attention: Natalie Gubb, Esq.

if intended for the Authority shall be addressed to:

San Francisco Housing Authority
480 Turk Street
San Francisco, CA 94102
Attn: Executive Director

with a copy to:

Goldfarb & Lipman

1300 Clay Street, 9th Fl.
Oakland, CA 94612
Attention: Michelle D. Brewer, Esq.
Fax No. (510) 836-1035

or to such address as either party may have furnished to the other in writing as a place for the service or notice. Any notice so mailed shall be deemed to have been given on the delivery date, or the date that delivery is refused by the addressee, as shown on the return receipt.

11. Attorney's Fees. In the event of any action or proceeding at law or in equity between any of the parties hereto to enforce any provision of this Agreement or to protect or establish any right or remedy of either party hereunder, the unsuccessful party to the litigation shall pay to the prevailing party all costs and expenses, including, without limitation, reasonable attorneys' fees incurred therein by the prevailing party, and if the prevailing party recovers judgment in any action or proceeding, the costs, expenses and attorney's fees shall be included in and as part of the judgment.

12. Miscellaneous.

1. Owner, the Authority and BRIDGE each represent and warrant for itself that it has not had nor will it have any dealings with any person, firm, broker or finder in connection with the negotiation of this Agreement and/or the consummation of the transactions contemplated hereby. Each party hereto hereby agrees to indemnify and hold harmless the other parties from and against costs, expenses of liabilities for compensation, commissions or charges which may be claimed by any broker, finder or similar party by reason of any actions of the indemnifying party.

2. The rights and obligations of Owner, BRIDGE and the Authority under this Agreement shall inure to the benefit of, and bind the respective successors and assigns.

3. The captions used herein are for convenience of reference only and are not part of this Agreement and do not in any way limit or amplify the terms and provisions hereof.

4. Time is of the essence of each and every agreement, covenant and condition of this Agreement.

5. This Agreement shall be interpreted in accordance with, and governed by, the laws of the State of California.

6. This Agreement constitutes the entire agreement by and among Owner, the Authority and BRIDGE with respect to the subject matter hereof, and supersedes all prior offers and negotiations, oral and written. This

Agreement may not be amended or modified in any respect whatsoever except by an instrument in writing signed by Owner, the Authority and BRIDGE; provided, however, no amendment or modification shall be effective unless consented to in writing by RCC Direct SLP, LLC, or its successor as the special limited partner of Owner.

7. Owner, BRIDGE and the Authority shall subordinate this Agreement to the lien of any deed of trust necessary to develop the Property.

8. The parties will record a Memorandum of Purchase Option Agreement in the Official Records of San Francisco County, California.

IN WITNESS WHEREOF, Owner, BRIDGE, and the Authority have executed this Agreement as of the date first above written.

OWNER:

North Beach Housing Associates, a California Limited Partnership

By: BRIDGE Housing Corporation, its general partner

By:

_____

Its:

_____

BRIDGE:

BRIDGE Housing Corporation, a California nonprofit public benefit corporation

By: _____

Its: _____

AUTHORITY:

Housing Authority of the City and County of San Francisco, a public body corporate and politic

By: _____

Its: _____

Approved as to form and legality by:

_____

Carl L. Williams, General Counsel

DOCUMENTS DEPT.

DEC 18 2002

SAN FRANCISCO
PUBLIC LIBRARY

NORTH BEACH PLACE

DECLARATION ESTABLISHING RECIPROCAL

EASEMENTS AND

COVENANTS RUNNING WITH THE LAND

_____, 2002

by

HOUSING AUTHORITY OF THE

CITY AND COUNTY OF SAN FRANCISCO

TABLE OF CONTENTS

Page

1. Definitions. 2

1.1 Commercial Owner 2
1.2 Common Building Component 2
1.3 Force Majeure 2
1.4 Ground Lessee 2
1.5 Impositions 2
1.6 Improvements 3
1.7 Initial Improvements 3
1.8 Interest Rate 3
1.9 Laws 3
1.10 Mortgage 3
1.11 Mortgagee 3
1.12 Occupant 3
1.13 Owner 3
1.14 Parcel 3
1.15 Permittees 3
1.16 Person or Persons 4
~~1.17 Plans~~ **1.17** ..... **"PHA Assisted Units"** 4
~~1.18~~ **1.18** ..... **Plans** 4
1.19 **"Public Housing Requirements"** 4
1.20 **Regulatory and Operating Agreements** 4
1.21 Residential Owner 4
~~1.19~~ **1.22** ..... Site Mitigation Plan 4
~~1.20~~ **1.23** ..... Structural Components 4

2. Leases and Grant Deeds; Respective Rights and Obligations of Ground Lessees. 4

2.1 Subordination of Leases and Grant Deeds 4
2.2 Rights and Obligations of Ground Lessees 5
2.3 DEA 5

3. Easements. 5

3.1 Definitions and Documentation. 5
3.2 Easements for Utility Facilities. 5

17.5 No Partnership, Joint Venture or Principal-Agent Relationship 26
17.6 Successors 27
17.7 Severability 27
17.8 Governing Laws 27
17.9 Release 27
17.10 Covenants Run with the Land 28
17.11 Right to Enjoin/Specific Performance 28
17.12 Default Shall Not Permit DEA Termination 28
17.13 Correction of Parcel and Easement Descriptions 28
17.14 Attorneys' Fees 29
17.15 Estoppel Certificate 29
17.16 Time of Essence 30

NORTH BEACH PLACE

DECLARATION ESTABLISHING RECIPROCAL EASEMENTS AND COVENANTS RUNNING WITH THE LAND

This Declaration Establishing Reciprocal Easements and Covenants Running with the Land ("DEA") is entered into as of _____, 2002, by THE HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body corporate and politic ("Declarant").

RECITALS

A. Declarant is the owner of the real property described in Exhibits A and B attached hereto (collectively, the "Property"). Declarant intends that the Property be developed as a mixed use development, including a multifamily affordable housing project and a commercial project.

B. Declarant has caused the Property to be subdivided into the parcels described on Exhibit A (collectively the "Residential Parcels") on which a multifamily affordable housing project will be constructed and the parcels described on Exhibit B (collectively the "Commercial Parcels") on which a commercial project will be constructed. Each of the Residential Parcels and Commercial Parcels is hereinafter referred to as a "Parcel" and collectively as the "Parcels."

C. Declarant has subdivided the Property to allow for ownership of the parcels by different parties and to facilitate separate financing for improvement of the Residential Parcels and improvement of the Commercial Parcels.

D. Declarant intends to enter into (i) a ground lease of the Residential Parcels pursuant to which the ground lessee will develop the Residential Parcels as a multifamily affordable housing project and (ii) a ground lease of the Commercial Parcels pursuant to which the ground lessee will develop the Commercial Parcels as a commercial project. The improvements to be constructed on the Residential Parcels and the Commercial Parcels will be owned by the respective ground lessees for so long as the ground leases are in effect.

E. The covenants, operating restrictions and easements created hereby are intended to support the efficient use of the Property as a mixed-use Project and provide for the rights, duties and obligations incidental to or necessary for the use and enjoyment of each Parcel in accordance with the purposes for which the improvements thereon are constructed. The covenants herein created are intended to be enforceable as covenants running with the land pursuant to California Civil Code § 1468.

F. The Project is not a common interest development under the California Davis-Stirling Common Interest Development Act.

NOW, THEREFORE, Declarant hereby creates and establishes easements, covenants and restrictions which shall run with the land (both as to fee interests and any ground leasehold interests therein) and be binding upon and inure to the benefit of the owners and ground lessees of the Residential Parcels and Commercial Parcels and their respective successors and assigns as part of a common plan to regulate and govern the use and occupancy of the Property and to enhance the value thereof, and for other beneficial purposes.

1. Definitions.

1.1 Commercial Owner means the Owner of a Commercial Parcel.

1.2 Common Building Component means any portion of the Improvements which provides support for the Improvements located on two or more Parcels, or which is otherwise shared in common by the Improvements located on two or more Parcels, including without limitation, common walls and fences, footings, supports foundations and Structural Components.

1.3 Force Majeure means war, strikes, riots, "acts of God," casualties, government restrictions or priority, unusually severe weather, inability to secure necessary labor, materials or tools, acts of another Owner or Ground Lessee and any other cause beyond the reasonable control of the Person asserting that such Person's performance had been delayed or prevented; provided that failure to lease or sell or to obtain a satisfactory mortgage commitment or equity or operating funds is not an event of Force Majeure.

1.4 Ground Lessee shall refer to the Person(s) owning a ground leasehold interest in any Parcel. Any ground lease of a Parcel shall provide that the leasehold interest and any interest of Ground Lessee in the Improvements is subject to and bound by this DEA. **The initial Ground Lessee of all of the Residential Parcels shall be North Beach Housing Associates, a California limited partnership. The initial Ground Lessee of all of the Commercial Parcels shall be North Beach Retail Associates, LLC, a California limited liability company.**

1.5 Impositions means all taxes, assessments, water, sewer or similar rents, rates and charges, excises, levies, license fees, permit fees, inspection fees and other authorization fees and other charges (including all interest and penalties thereon), which at any time may be assessed or imposed on or be a lien upon the Property or any part hereof or interest therein. Impositions shall not, however, include any income, inheritance, franchise or similar tax.

1.6 Improvements means all buildings, structures, landscaping and other improvements built or installed from time to time on the Property.

1.7 Initial Improvements means all Improvements constructed on the Property pursuant to the Plans.

1.8 Interest Rate means an annual rate of interest equal to the lesser of (i) two percent (2%) over the "prime rate" published from time to time by the Wall Street Journal, or if the Wall Street Journal ceases publication of a "prime rate," the "prime rate" published in a comparable publication as mutually agreed by all then Non-Defaulting Owners or (ii) the maximum annual rate permitted to be charged under California law with respect to such obligation.

1.9 Laws means all applicable laws, statutes, ordinances, regulations, rules, orders and requirements of all governmental and quasi-governmental authorities.

1.10 Mortgage means any mortgage, deed of trust, or other conveyance held by a Mortgagee as security for the repayment of indebtedness, encumbering all or any portion of the interest, whether fee or leasehold, of an Owner or Ground Lessee in one or more Parcels, together with all other instruments securing the payment of the indebtedness secured by such mortgage, indenture, deed of trust or other instruments, and all amendments, modifications, supplements and extensions of such instruments.

1.11 Mortgagee means the holder of a Mortgage (including, without limitation, the beneficiary of a deed of trust), provided the holder of such Mortgage has notified the Owners and Ground Lessees of its status as such.

1.12 Occupant means each tenant, Ground Lessee, Owner and Person entitled by lease or sublease to use and occupy any floor area within the Property, or one or more of them, as the context may require.

1.13 Owner shall refer to the Person(s) owning the fee title to any Parcel **and not a Ground Lessee. Declarant is the initial Owner of all the Parcels**.

1.14 Parcel shall mean and include each of the Residential Parcels and each of the Commercial Parcels. Any grant deed of a Parcel shall provide that the Parcel is subject to and is bound by this DEA.

1.15 Permittees means all Occupants and their respective officers, directors, employees, agents, partners, contractors, customers, visitors, invitee, licensees and concessionaires.

1.16 Person or Persons means individuals, partnerships, associations, corporations and any other form of business organization, or one or more of them, as the context may require.

1.17 **PHA Assisted Units means the 138 dwelling units in the improvements to be constructed on the Residential Parcel designated as such by the owner of such improvements and operated and maintained as a "public housing unit" in accordance with the Public Housing Requirements.**

1.18 Plans means the plans and specifications dated August 12, 2002 prepared by Barnhart & Associates, as the same may be amended from time to time with the consent of Declarant and the Ground Lessees prior to completion of the Initial Improvements.

1.19 Public Housing Requirements shall have the meaning set forth in the Regulatory and Operating Agreement for North Beach Place to be executed by Declarant and North Beach Housing Associates, a California limited partnership, and recorded against the Residential Parcels ("Regulatory and Operating Agreement").

1.20 Regulatory and Operating Agreement shall have the meaning set forth in Section 1.19.

1.21 ~~1.18~~ Residential Owner means the Owner of a Residential Parcel.

~~1.19~~ **1.22** Site Mitigation Plan means the Site Mitigation Plan for the North Beach Hope VI Development Site dated September 27, 2001 prepared by Treadwell & Rollo Inc./Olivia Chen Consultants, a joint venture, as approved by the City of San Francisco Department of Public Health by letter dated November 20, 2001.

~~1.20~~ **1.23** Structural Components means the horizontal and vertical structural portions of the Improvements, including without limitation portions of the footings, piles, columns, load-bearing walls and other foundation supports.

2. Leases and Grant Deeds; Respective Rights and Obligations of Ground Lessees.

2.1 Subordination of Leases and Grant Deeds. The terms and provisions of this DEA are and shall be superior and prior to (i) any ground leases, (ii) any tenant occupancy leases and (iii) any grant deed or other such instrument or agreement creating or transferring an interest in a Parcel in the Property; provided, however, that this DEA shall not relieve any Owner or Ground Lessee from any

obligation or affect or modify any right under such instruments as to the Owner or Ground Lessee.

2.2 Rights and Obligations of Ground Lessees. Any Ground Lessee of a Parcel shall have all of the rights and obligations set forth herein as the rights and obligations of Owner with respect to such Parcel.

2.3 DEA. This DEA shall govern and be binding upon the Property and upon all Owners and Ground Lessees unless and until (except as to certain rights and obligations set forth herein which continue after termination ~~)~~ **of the DEA)** all Owners and Ground Lessees execute and acknowledge a declaration terminating this DEA in its entirety and cause such declaration to be duly recorded in the Official Records.

3. Easements.

3.1 Definitions and Documentation.

(1) The Owner granting an easement is called the "Grantor." The Owner to whom the easement is granted is called the "Grantee."

(2) The grant of an easement by a Grantor shall bind and burden its Parcel(s) which shall, for the purpose of this DEA, be the servient tenement (where only a portion of a Parcel is bound and burdened by the easement, only that portion shall be the servient tenement). The grant of an easement to a Grantee shall benefit its Parcel(s) which shall, for the purpose of this DEA, be the dominant tenement (where only a portion of the Parcel is so benefited, only that portion shall be the dominant tenement).

(3) The word "in" with respect to an easement granted "in" a particular Parcel means, as the context may require, "in", "to", "on", "over", "through", "upon" and "across", or any one or more of the foregoing.

(4) Unless provided otherwise, all easements granted hereunder are non-exclusive, perpetual and irrevocable by the Grantor.

3.2 Easements for Utility Facilities.

(1) The Residential Owner hereby grants to the Commercial Owner exclusive easements through portions of the Residential Parcels for shafts for such purposes as, without limitation, ventilation equipment, plumbing vents, **compressors** and HVAC and refrigeration equipment, ~~and for a garage fire exit~~(together, "Commercial Utility Facilities"). **The Commercial Owner shall have a non-exclusive right to enter and traverse the garage to be constructed as part of**

the initial improvements on the Residential Parcel as necessary to access such compressors.

(2) The Commercial Owner hereby grants to the Residential Owner exclusive easements through portions of the Commercial Parcel for pipes and other plumbing equipment (including, without limitation, waste water drains, water and irrigation lines, sprinklers and flow switches), electrical equipment (including, without limitation, distribution panels, conduits and meters) **a room for the housing of telephone equipment** and garage ventilation equipment (together, "Residential Utility Facilities").

(3) Any installation, use, maintenance, repair, replacement, relocation, restoration and removal of any Utility Facilities serving only Grantee's Parcel shall be performed at Grantee's sole cost and expense and only after two (2) weeks' advance notice to Grantor of Grantee's intent to do such work (except in an emergency when such advance notice to Grantor as practicable under the circumstances shall be given). Grantor shall also have the right, in an emergency, to repair or replace any of Grantee's Utility Facilities within Grantor's Parcel and charge the Grantee for the costs of such repair or replacement.

3.3 Construction and Support Easements.

(1) Each Owner hereby grants to each of the other Owners easements on its Parcel(s) for the installation, use, maintenance, repair, replacement, relocation, restoration, strengthening and removal of Common Building Components, including, without limitation, the work contemplated by Section 5.5(1).

(2) Each Owner hereby grants to each of the other Owners easements on its Parcel(s) for the right of support and the right of use with respect to, and for the installation, use, maintenance, repair, replacement, relocation, restoration, strengthening and removal of, any Structural Components required to support Grantee's Improvements, including, without limitation, the work contemplated by Section 5.5(1).

(3) Where Improvements on a Parcel are built over another Parcel or over the Improvements on another Parcel, each Owner hereby grants to each of the other Parties easements on its Parcel(s) for the right to use the lower surface of the upper Parcel, or the soil on such Parcel, as necessary to use the Improvements for the purposes intended.

(4) Improvements constructed by the Grantee of an easement for support hereunder shall be designed so as not to impose on the Grantor's Parcel or Improvements thereon any load in excess of that for which the Improvements on the Grantor's Parcel were designed.

(5) Each Owner severally covenants that if all or any part of the Improvements on its Parcel is removed or destroyed at a time when it is not required to restore the same under this DEA, it will leave in place any undamaged Common Building Components. Each Owner shall be required to leave such Common Structural Building in place only so long as the Improvements of the Grantee remain in existence. Grantee's Improvements shall be deemed to remain in existence even if damaged or destroyed if the Grantee commences (or gives notice it will commence) Restoration (as defined in Section 5.2(1)) thereof within two (2) years after the occurrence of such damage or destruction.

(6) If any Improvements containing Common Building Components are damaged, destroyed or condemned, which Improvements the Owner of such Parcel is not required and elects not to Restore under this DEA, then Grantee is hereby granted an easement for access in the servient tenement for Restoration of such Common Building Components, provided that Grantor is afforded a reasonable time to decide whether or not to Restore, and if Grantor decides not to Restore in a reasonable time, to market such Parcel to a prospective new Owner who agrees to undertake Restoration. If Grantee effects Restoration of Common Building Components on the Grantor's Parcel, such Restoration shall be undertaken so as to minimize, to the extent consistent with the circumstances, the effect of such Restoration on any Improvements remaining on, and the future development potential of, the Grantor's Parcel.

3.4 Encroachment Easements.

(1) Each Owner hereby grants to each of the other Owners an easement on its Parcel(s) for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, reconstruction, repair, settlement or shifting or movement of the Improvements, or any similar cause.

(2) There shall be valid easements for the maintenance of said encroachments so long as they exist, and the rights and obligations of the Owners shall not be altered in any way by said encroachment; provided, however, that in no event shall a valid easement for encroachment be created as a result of an Owner's willful misconduct.

(3) If the Improvements are partially or totally destroyed, and then repaired or rebuilt in substantially the same manner as originally constructed, the Owners agree that minor encroachments over the abutting Parcel shall be permitted and that there shall be valid easements for the maintenance of said encroachments so long as they exist.

3.5 Use and Maintenance of Easements.

(1) Each Grantee agrees to use due care in exercising the rights granted under this Article 3, and to comply with all applicable Laws and any governmental approval, permit or license.

(2) Grantee's use of the easements shall not unreasonably interfere with or interrupt the operations of the servient tenement, and shall not damage, injure or otherwise adversely affect Grantor's Improvements (including the structural integrity thereof).

(3) Each Grantee shall have the right to enter the Property for the purposes of obtaining access to the easements granted herein, provided that each Grantee comply with the requirements of the following sentence. Except with respect to the easements described in Section 3.8, before entering upon Grantor's Parcel to exercise Grantee's rights hereunder, Grantee shall first obtain Grantor's consent as to the methods and timing in exercising such rights, which consent shall not be unreasonably withheld or delayed.

(4) Each Grantee, at its expense, shall promptly repair, replace or restore any and all of Grantor's Improvements which have been disturbed, damaged or destroyed by Grantee in exercising the easements granted under this Article 3 to substantially the same condition as before such exercise commenced.

(5) The Owners shall not enter into any agreement, make any conveyance or transfer any interest in all or any portion of its Parcels or do or suffer any other act which would unreasonably interfere with the use and enjoyment of the easements by the benefited Parcels.

(6) Except as otherwise provided in this DEA, each of the Owners shall maintain and repair, at its cost and expense, the Improvements owned by it within which the easements are located, in such condition and to such extent as is necessary so that no unreasonable interference with the use and benefit of the easements results; provided, however, the obligations to maintain and repair the Improvements within which the easements are located shall be limited to normal and routine maintenance and repair activities.

3.6 Location of Easements.

(1) Except for the location of the easements described in Section 3.8, the location of all easements under this Article 3 (including any changes in location hereof) shall be subject to Grantor's approval, which shall not be unreasonably withheld or delayed. It shall be considered reasonable to withhold consent if the location of the easement(s) imposes an unreasonable structural load on, shall materially increase the costs of operating and maintaining, or shall be

incompatible with the design and/or materials of, the then-existing Improvements on another Parcel.

(2) Notwithstanding the foregoing, each Grantor has previously approved the general locations of the easements described in Sections 3.2 and 3.3 as shown on the Plans for the Initial Improvements. The exact location (including, where applicable, width, height and depth) of the easements shall be as set forth in the latest available construction plans and specifications or, after completion, in the as-built drawings for the Initial Improvements.

(3) Grantor may, if reasonably required, relocate on its Parcel any of Grantee's Utility Facilities installed thereon under any Utility Easement, provided such relocation:

(a) may be performed only after Grantor has given Grantee thirty (30) days' notice of Grantor's intent to relocate such facilities and has set forth in such notice the reasons why such relocation is reasonably required;

(b) shall not interfere with or diminish the utility services to the Grantee; however, temporary interference with or diminution in utility services shall be permitted if: (i) they occur during hours that least interfere with Grantee's business, and (ii) Grantor promptly reimburses Grantee for the cost, expense and loss (excluding any estimated unrealized operating profits) incurred by Grantee as a result of such interference or diminution;

(c) shall not reduce or unreasonably interfere with the usefulness or function of Grantee's Utility Facilities; and

(d) shall be performed at Grantor's sole cost.

3.7 Future Construction.

(1) Before commencing any construction work that materially interferes with an Owner's right to use an easement, the Owner proposing such work shall submit or cause any occupant to submit to the other Owner plans and specifications for such work. The affected Owner shall thereafter review and approve or disapprove same; provided, however, that such approval shall not be unreasonably withheld so long as the proposed work does not materially interfere with the Owner's use of the easements. If the affected Owner fails to respond within ten (10) business days of written request for approval, the plans and specifications shall be deemed approved.

(2) All construction work undertaken on any portion of the Parcels which affects easements granted under this Article 3 shall be accomplished in the most expeditious and diligent manner practicable and in accordance with the provisions of Article 4 of this DEA.

(3) Any work performed in connection with any Utility Facilities shall be performed so as to minimize interference with the provision of such services to all occupants.

(4) Notwithstanding anything to the contrary herein, in an emergency, either Owner may undertake necessary construction work to address such emergency, provided the Owner acts in good faith and reasonably gives notice thereof to the other Owner as soon as possible and otherwise conforms to the applicable provisions of this Section to the extent feasible.

3.8 Emergency Exit Facilities. As of the date of this DEA, certain improvements exist on the portion of the Property described as Parcel A on Block 43 on Exhibit A and Parcels B and C on Block 43 on Exhibit B, which improvements are hereinafter referred to as the "Existing West Block Improvements". The Existing West Block Improvements are to be demolished. Each Owner hereby grants to each of the other Owners a non-exclusive easement, as necessary, for emergency egress over the other Parcels for the purpose of accessing and utilizing the emergency exit facilities existing in the Existing West Block Improvements and depicted on Exhibit C ("Emergency Egress Easements"). ~~Access to Emergency Exit Facilities may be limited by doors with panic bars that will trigger alarms if opened.~~

The City and County of San Francisco ("City") requires that the Emergency Egress Easements be in effect until the existing West Block Improvements are demolished. Upon such demolition, the Emergency Egress Easements shall terminate and be of no further force and effect. The City is hereby designated a third party beneficiary of this Agreement for the purposes of enforcing this Section 3.8 such that the consent of the Director of the City's Department of Building Inspection ("Director") in writing and recorded in the Official Records of the City and County of San Francisco ("Official Records") shall be required for the modification, revocation or termination of the Emergency Egress Easements by any or all of the Owners unless and until the existing West Block Improvements have been demolished. Any such modification, revocation or termination shall not be effective unless and until the Director also consents thereto in writing after receiving written notice thereof from the Owners or their respective successors or assigns, and such modification executed by the Director is recorded in the Official Records. As third party beneficiary of Agreement, the City shall have the right to consent to any modification, revocation or termination of this Section 3.8 or the Emergency Egress Easement and the right and authority at its sole option to enforce this Section (including without limitation, the

remedies for violation of a Building Permit); provided, however, that City shall have no liability whatsoever hereunder with respect to the condition of any Parcel.

Each Owner on behalf of itself and its successors and assigns shall indemnify, defend and hold harmless ("the Indemnity") City, including but not limited to all of its employees, officers, boards, commissions, departments, agencies and other subdivisions, including without limitation, its Department of Building Inspection and all of the heirs, legal representatives, successors and assigns (individually and collectively) (the "Indemnified Parties") and each of them from and against any and all liabilities, losses, costs, claims, judgments, settlements, damages, liens, fines, penalties and expenses, including, without limitation, direct and vicarious liability of every kind (collectively "Claims") incurred in connection with or arising in whole or in part from (i) an accident injury to or death of a person or loss of or damage to property howsoever or by whosoever caused in or about the Parcels from the use by such Owner or any person claiming by or through such Owner of the Emergency Egress Easements permitted or contemplated by this DEA; (ii) any default by such Owner in the authorization or performance of any of the terms, covenants, conditions of this DEA to be observed or performed on the Owner's part relating to the Emergency Egress Easements; (iii) any construction or other work undertaken by or on behalf of such Owner for so long as the Emergency Egress Easement shall be in effect and permitted or contemplated by this DEA; or (iv) any acts, omissions or negligence of Owner in, on or about the Existing West Block Improvements except to the extent that (x) such Indemnity is determined by a court of competent jurisdiction to be void or otherwise unenforceable under applicable law in effect on or validly retroactive to the date of this DEA (y) any Claims incurred in connection with or arising in whole or in part from those matters set forth above or proximately caused by the negligence or other actionable misconduct of the Indemnified Parties or (z) any Claims incurred in connection with, or arising in whole or in part from those matters set forth in this Section 3.8 or proximately caused by any gross negligence or other actionable misconduct of the Indemnified Parties; provided, however, that the foregoing exceptions to the Indemnity set forth in causes (y) and (z) shall not include any activities or omissions arising out of the review or issuance by the City of building permits for any construction on the Parcels. The foregoing Indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs and fees, costs of investigating any Claim. Each Owner specifically acknowledges and agrees that it has an immediate and independent obligation to defend the City from any claim which actually or potentially falls within this Indemnity even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such Claim is tendered to Owner. Owner's obligations under this Section shall survive the termination of the Emergency Egress Easements with respect to events occurring or claims arising prior to such termination.

3.9 No Merger. The easements herein created and the covenants herein described shall not be extinguished by merger of any or all of the ownership of more than one Parcel or leasehold interest in any one Owner.

3.10 No Interference. No Owner shall enter into any agreement or do or suffer any other act which would unreasonably interfere with the use and enjoyment of the easements for the benefit of the benefited Parcels.

4. General Construction Requirements.

4.1 Construction Approval. All construction shall require the approval of all Owners before commencement thereof, other than (i) construction of the Initial Improvements, (ii) the demolition and remediation contemplated in connection therewith pursuant to the Demolition Plan and the Site Mitigation Plan ((i) and (ii) are collectively, the "Initial Construction Work"), (iii) razing permitted or required under Article 5, (iv) nonstructural modifications of any Improvement and any changes to the interiors of the Improvements that do not interfere with the use of any easement, (v) or changes to the exterior design, exterior materials or exterior color of any Improvement.

4.2 License for Construction. Each Owner ("Licensee") shall have a temporary license to use portions of the Parcels of the other Owner ("Licensor") for the Initial Construction Work. After completion of the Initial Improvements, each Owner ("Licensee") shall have a temporary license to use portions of the Parcels of other Owners (each, a "Licensor") for construction work in connection with its improvements, subject to the prior written approval of Licensor, which approval shall not be unreasonably withheld or delayed. Such license shall be limited to portions of the Licensor's Parcel reasonably necessary to perform such work ("License Area"), and the Licensee shall use reasonable efforts to minimize any disruption or interference with Licensor's operations. When the work (other than the Initial Construction Work) is completed, the Licensee shall promptly restore the License Area and any other affected portions of the Property to the condition in which it existed before work commenced.

4.1 Performance of Construction.

(1) Each Owner shall perform all construction work in a safe, good and workmanlike manner, with first-class materials and in accordance with the plans and specifications for the work, and in compliance with all applicable Laws (including obtaining building and other governmental approvals).

(2) Each Owner shall perform its construction so as not to: (i) cause any material increase in the cost of construction or operation of the remainder of the Property or any part thereof; (ii) unreasonably interfere with any other

construction being performed on the Property; or (iii) unreasonably interfere with other Owners' operations and rights set forth in this DEA.

(3) The Owner responsible for the construction work (or its contractor) shall agree to indemnify, defend and hold each Owner harmless from and against, any and all claims, demands, losses, costs, damages, liabilities, injuries or expenses, including, without limitation, reasonable attorneys' fees, incurred in connection with the construction work.

4.2 Liens. Each Owner agrees that if any mechanic's lien or other statutory lien is filed against the Parcel of any other Owner as a result of the construction work by such Owner, it shall pay and discharge the same of record or provide a bond therefor adequate to discharge such lien of record within thirty (30) days after the notice of the filing thereof.

4.3 Notices of Non-Responsibility. Any Owner upon whose Parcel any work is to be performed by another and for which such Owner did not contract, shall have the right to post such notices of non-responsibility and other notices as may be required to give notice that the Owner giving such notice shall not be responsible for payment for such work.

5. Maintenance, Repair, Alterations and Restoration.

5.1 Maintenance of Improvements. Except as provided otherwise in the DEA, each Owner shall maintain, at its sole cost and expense, the Improvements on its Parcel in good and clean order and condition and in compliance with all Laws and shall make all necessary or appropriate repairs and replacements thereof with materials of good quality within a reasonable time.

5.2 Damage or Destruction to Improvements.

(1) Except as provided otherwise in the DEA, if all or any portion of the Improvements is damaged or destroyed, each Owner shall, within a reasonable time, commence and complete (subject to Force Majeure) the restoration, replacement, or rebuilding ("Restoration") of the Improvements on such Owner's Parcel (including Common Building Components), at least to substantially the condition existing before such damage and destruction, to the extent possible under the Laws.

(2) Notwithstanding anything herein to the contrary, if all or any portion of the Improvements on any Parcel is damaged or destroyed, the Restoration obligation of each Owner shall not exceed the amount of proceeds actually received by Owner (and made available by Mortgagee) under insurance required to be

carried hereunder, plus the amount of any deductible provided under such insurance (together, the "Available Funds"); provided, however, that:

(a) each Owner shall undertake and complete in accordance with this DEA, such Restoration as may be required to ensure a safe and non-hazardous condition of the Improvements on its Parcel in accordance with Section 5.3 and as necessary to comply with any covenants or agreements, if any, to provide lateral or subjacent support for improvements located on parcels adjoining the Property ("Essential Restoration") regardless of the amount of such Available Funds;

(b) if the amount of Available Funds exceeds the cost of Essential Restoration, then in addition to Essential Restoration, each Owner shall undertake and complete in accordance with this DEA, to the extent of such excess Available Funds, Restoration (other than Essential Restoration) to conserve or protect damaged Improvements and remove debris (together, "Minimum Restoration");

(c) if the amount of Available Funds exceeds the cost of Essential Restoration and Minimum Restoration, then in addition to Essential Restoration and Minimum Restoration, each Owner shall undertake and complete in accordance with this DEA, to the extent of such excess Available Funds, such additional Restoration of Improvements on the Parcel as the Owner may elect.

Notwithstanding the foregoing, an Owner shall not be required to complete any work other than Essential Restoration in the absence of adequate assurance from the other Owners that it has sufficient Available Funds to complete the Restoration of the Improvements.

(3) Within a reasonable period of time, such Restoration shall be commenced and completed. If an Owner does not commence and complete such Restoration within a reasonable time, another Owner shall have the right, but not the obligation, to complete the Essential Restoration and the Minimum Restoration, and upon such completion, to receive reimbursement of the actual costs therefor from the Owner of the Improvements that were so restored.

5.3 Clearing Debris from Razed Improvements. Except to the extent provided otherwise in Section 5.4, if the Owner upon whose Parcel the damage or destruction has occurred is not obligated to restore an Improvement that has been damaged or destroyed, and if such Owner elects not to do so, then it shall raze such

Improvement (or such part thereof as has been damaged or destroyed) and clear the area of all debris.

5.4 Liability of Mortgagee. Anything in this Article to the contrary notwithstanding, when a Mortgagee or a third party purchaser acquires title to a fee or leasehold estate by foreclosure, deed in lieu of foreclosure, power of sale in lieu of foreclosure ("Foreclosure"), such Mortgagee, or purchaser, subject to the terms of any Mortgagee loan documents, shall be liable for and required to perform the Restoration only as follows:

(1) When the damage or destruction occurs before the Foreclosure from a peril required to be insured under this DEA or from a peril for which insurance is not required but for which there were nonetheless such proceeds (but in either case only to the extent of available insurance proceeds); and

(2) When the damage or destruction occurs subsequent to the Foreclosure as if it were an Owner under Section 5.2.

5.5 Common Building Components. The following provisions shall apply to the repair, alteration or Restoration of Common Building Components, and to the extent not inconsistent therewith are in addition to the provisions of Section 3.5:

(1) Each Owner owning any Improvement in the Property which contains a Common Building Component shall maintain, at its own cost and expense, such Common Building Component therein in a good state of repair (subject to Section 5.2). Notwithstanding the foregoing, in the event that repairs not covered by Section 5.2 are necessary to any Common Building Component that is a Structural Component located within a Commercial Parcel, the Residential Owner shall perform such repairs, subject to all terms and conditions of this Agreement. The Commercial Owner shall reimburse the Residential Owner for five percent (5%) of the reasonable cost of the repairs (the "Commercial Owner's Share"). The Commercial Owner shall pay the Commercial Owner's Share to the Residential Owner within thirty (30) days after written request therefor, which request shall be accompanied by supporting invoices lien releases and evidence reasonably satisfactory to Commercial Owner that the work described in such invoices has been completed. If there is more than one Commercial Owner, the Commercial Owners each shall pay a share of the Commercial Owner's Share as shown on Schedule 1 hereto.

(2) Each Owner owning any Improvement which uses any Common Building Component contained in an Improvement which is not owned in whole or in part by it shall not place upon the Common Building Component any burden which exceeds the capacity of the Common Building Component therefor, or

will prevent the use of the Improvement containing the Common Building Component for its intended purposes.

(3) Nothing in Subparagraphs (1) or (2) shall preclude any Owner owning either an Improvement containing a Common Building Component or a benefited Improvement, as the case may be, from performing any construction with respect to its Improvements if during such construction the Owner by whom or on whose behalf such construction is being done shall, at its own cost and expense, provide such temporary facilities as may be necessary to perform the function performed by the Common Building Component in question, or to increase the capacity of, or supplement, the Common Building Component in question to the extent necessary so that the construction does not prevent the use of the benefited Improvement for its intended purpose.

(4) The Owner owning the Improvement with respect to which construction was performed shall not be liable to the Owner owning such other Improvement affected by such construction for any inconvenience, annoyance, disturbance or loss of business to such other Owner (or its Occupant) arising out of and during the performance of such construction (unless occasioned by the negligence or willful misconduct of the Owner performing such construction, or its agents), provided the Owner owning the improvement with respect to which such construction is being performed shall have complied with all provisions of this Section 5.5 and made all reasonable efforts to keep any such inconvenience, annoyance, disturbance or loss of business to the minimum reasonably required by the construction in question.

5.6 Responsibility for Existing West Block Improvements. Notwithstanding anything herein to the contrary, Declarant shall have sole control, maintenance and repair responsibility over the entirety of the Existing West Block Improvements for so long as they are occupied and prior to commencement of the demolition thereof with respect to San Francisco Building Code compliance issues. This provision is to enable City to enforce its Building Code against a single owner prior to demolition of the Existing West Block Improvements. The City is a third party beneficiary with respect to this Section 5.6 and no modification of this Section shall be effective unless the City has given its prior written approval of the modification.

6. Default and Lien.

(1) No Owner shall be in default under this DEA until the expiration of ten (10) business days (in the case of monetary obligations) and thirty (30) days(in the case of all other obligations) from receipt of notice of such default. If such default (other than a monetary default) cannot be reasonably cured within such thirty (30) day period, an Owner shall not be in default so long as, within

such thirty (30) day period, it commences curing such default with due diligence and thereafter prosecutes such cure to completion diligently

(2) Thereafter, if under this DEA an Owner pays any money or does any act that requires the payment of money because of another Owner's failure or inability to perform its obligations under this DEA, the defaulting Owner shall, within ten (10) business days following demand, reimburse the paying Owner for such sums. All such sums shall bear interest at the Interest Rate from the date of expenditure until the date of reimbursement. Any other sums payable by any Owner to any other Owner under this DEA that are not paid when due shall bear interest at the Interest Rate from the due date of payment thereof.

(3) Each Owner hereby grants to each other Owner a lien upon such Owner's Parcel and all improvements thereon to secure all of such Owner's obligations to the other Owners under this DEA. If an Owner ("Defaulting Owner") is required by this DEA to pay another Owner ("Non-Defaulting Owner") any money, then, the Non-Defaulting Owner shall have the right to foreclose the lien against the Defaulting Owner's Parcel and Improvements in any manner provided by law, and for this purpose shall have a power of sale which may be enforced in the same manner as powers of sale in mortgages and deeds of trust are enforced under California law.

(4) The Non-Defaulting Owner's lien shall be superior to any other lien and encumbrance on the Defaulting Owner's Parcel created or arising after the date of this DEA, except as follows: The Non-Defaulting Owner's lien shall be expressly subject and subordinate to: (a) any Mortgage and any and all advances secured by any Mortgage, and any expenses, charges and fees incurred under any express provision of such Mortgage (or any extension, consolidation, modification or supplement thereto); (b) any and all ground leases, tenant occupancy leases or subleases on all or any part of Defaulting Owner's Parcel; and (c) the lien of any and all general and special property taxes and special benefit assessments on all or any part of Defaulting Owner's Parcel. The Non-Defaulting Owner shall execute and deliver any further assurances of the subordination of the Non-Defaulting Owner's lien to this DEA or the Mortgage as provided in this Section.

(5) If the defaulting party hereunder is a Ground Lessee, then, notwithstanding the foregoing, the lien created hereunder shall attach only to the Ground Lessee's interest in the Improvements and ground leasehold interest in the Parcel.

7. Use.

7.1 Residential Parcel Uses. The Residential Parcel shall be used only for multifamily residential purposes with childcare facilities, recreational

activities, landscaping, parking, open space and other uses incidental or customarily related thereto, and for no other purposes.

7.2 Commercial Parcel Uses. The Commercial Parcel shall be used only for office, clinical or medical, social or community services, and customary retail uses, parking and other uses incidental or customarily related thereto and for no other purposes.

7.3 Limitations. No part of the Property shall be used or operated for: (i) any use which violates applicable zoning ordinance, (ii) any bar, adult entertainment, amusement enterprise or similar use, or (iii) any unlawful, immoral or disreputable purpose or any activity which is inappropriate for a comparable mixed-use complex conducted in accordance with good and generally accepted standards of operations or (iii) any noise, litter, odor or other activity which may constitute a public or private nuisance.

7.4 Rights of Ground Lessees

. Nothing herein shall be construed to grant to any Ground Lessee any greater rights to use the Parcel(s) in which it has a ground leasehold interest than the rights set forth in the ground lease between such Ground Lessee and the Owner of the ground-leased Parcel(s).

8. Insurance.

8.1 All-Risk Insurance. Each Owner shall carry a policy or policies of all risk property insurance on the Improvements on its Parcel in an amount equal to the full replacement value of the Improvements being insured (excluding the costs of foundation, excavations and footage).

8.2 Liability Insurance. Each Owner shall carry comprehensive general liability with blanket contractual endorsement, with a combined single limit of $1,000,000 per occurrence, with an aggregate limit of $5,000,000, for personal and bodily injury, death and property damage occurring on or around their respective Parcels or arising from the activities conducted thereon.

8.3 Worker's Compensation Insurance. Each Owner shall maintain adequate workers' compensation insurance to the extent required by law with a limit no less than the statutory requirement and employer's liability coverage with a limit not less than $3,000,000 per occurrence, covering all persons employed in connection with work on the Property and with respect to whom death or bodily injury claims could be asserted against an Owner. Insurance in excess of $3,000,000 for each accident may be covered by a so-called "umbrella" or "excessive coverage" policy.

8.4 General Requirements. All insurance policies shall be carried under a valid and enforceable policy or policies issued by insurers licensed in California and with a rating of B+ or better from Best's Rating Service in the most current edition of Best's Insurance Reports, or if such rating is modified or discontinued, the most nearly equivalent rating.

(1) All insurance policies shall name the Person procuring such insurance as the named insured, and the additional Owners and the Mortgagee(s) of each Parcel(s) as additional insureds, as their respective interests may appear. All liability policies shall name the Person procuring such insurance as the named insured, the other Parties and their respective Mortgagees as additional insureds to the extent indemnified under Section 8.6 hereof, and may name the Mortgagees of such parties.

(2) All policies shall provide that any losses payable to a Mortgagee of the Owner procuring such insurance shall be payable notwithstanding any act or negligence of the Owner procuring such insurance. The liability policies shall provide that they constitute primary insurance to any other insurance available to any additional insured, with respect to claims insured by such policies, and such insurance shall include a severability of interest provision. Such severability of interest provision shall not increase the limit of liability of the respective insurers.

(3) All insurance policies shall provide that no cancellation, modification or termination thereof For any reason other than nonpayment of premiums shall be effective as to the Person(s) entitled to be named as additional insureds until at least thirty (30) days, and in the case of nonpayment of premiums until at least ten (10) days, after giving written notice thereof to each additional insured thereunder.

(4) The Parties may from time to time agree to adjust the amounts of the insurance required hereunder to meet commercially prudent standards.

8.5 Use of Policy Proceeds. All-risk insurance proceeds actually received by and made available by Mortgagee to any Owner by reason of damage to or destruction of the Improvements on its Parcel, subject to the provisions of Article 5 hereof, shall be used by such Owner to pay the cost of Restoration of such damaged or destroyed Improvements. All-risk property insurance of any of the Owners pursuant to this Article shall contain a clause providing that any loss covered by the insurance required to be carried hereunder shall be payable to the Mortgagee holding a Mortgage which is a lien against such parcel, if such Mortgagee so elects. Each Owner shall use good faith efforts to obtain Mortgages which provide that all amounts collected on any such policies and paid to a Mortgagee shall be made available for the Restoration of any Improvement damaged or destroyed; provided, however, that Mortgagee is satisfied that the amount necessary to provide for Restoration of any Improvements

destroyed or damaged, as aforesaid, according to the plans adopted therefor, which may be in excess of the amount received upon such policies, has been provided by the insured for such purposes and its application for such purposes assured. If an Owner is not obligated to Restore under this DEA, and elects not to Restore, the amounts collected on such policies shall be made available to the Owner to perform its obligations under the DEA, in accordance with the foregoing provisions regarding disbursement.

8.6 Indemnification. Subject to the provisions of Section 8.9, each Owner ("Indemnitor") shall indemnify, defend and hold harmless (collectively "Indemnify"), each of the other Owners, and their respective officers, directors, employees, agents and partners (collectively, "Indemnitee") against all claims, costs, expenses (including reasonable attorneys' fees) and liabilities (collectively "Claims"), arising from the death or any accidental occurrence, injury, loss or damage caused to any natural person or to the property of any Persons ("Damage") as shall occur in or on the Parcel of the Indemnitor during the period Indemnitor is an Owner hereunder (except to the extent such Claims arise from the negligence or fault of the Indemnitee), or resulting from the Indemnitor's breach of this DEA or the gross negligence or willful misconduct on the part of such Indemnitor, its agents, servants or employees, relating to the Property (except to the extent caused by the Indemnitee);

Subject to and in accordance with the applicable provisions of Article 3, each Grantee of an easement ("Indemnitor") shall Indemnify the Grantor of such easement and its officers, directors, employees, agents and partners ("Indemnitee") against any Claims arising from Damage as occurs in connection with the Indemnitee's exercise of such easement (except to the extent such Claims arise from the negligence or fault of the Indemnitee).

8.7 Blanket Policies; Combined Policies. Each Owner may satisfy its insurance obligations under this DEA, in whole or in part, by means of a so-called blanket policy which is in conformity with the requirements of this Article 8. Notwithstanding anything to the contrary herein, the Owners may satisfy their insurance requirements herein by procuring joint rather than separate policies of insurance.

8.8 Certificate of Insurance. Each Owner shall, on the reasonable request of another Owner, promptly furnish the requesting Owner a certificate evidencing the former Owner's compliance with the insurance coverage requirements of this Article 8.

8.9 Release and Waiver of Subrogation. Each Owner hereby waives all rights of recovery and causes of action, and releases each of the other Owners, from all losses and damages occasioned to property located within or upon or constituting a

part of the Property, which losses and damages are of the type covered under the all-risk policies required by this Article 8; provided, however, that the Owner responsible for any such losses or damages shall pay for any deductible under the policies. The all-risk policies required by this Article 8 shall provide for waivers of any right of subrogation that the insurer of such Owner may acquire against each other Owner hereto with respect to any such losses.

8.10 Arbitration of Disputes. Any dispute regarding the insurance coverage required by this Article 8 shall be determined by arbitration under Article 11 hereof. The arbitrators shall have at least five (5) years experience in either placing or evaluating insurance of the nature at issue for multifamily residential and/or commercial facilities, as may be appropriate to the dispute.

8.11 Conflict With Ground Lease. If the terms of any ground lease affecting a Parcel(s) create any obligations on the part of Ground Lessee or the Owner who is the ground lessor thereunder that are greater than the obligations imposed by Sections 5.2, 8 and 9 with respect to the Parcel(s) affected by the ground lease, then as to such matters the ground lease shall be controlling as between such Owner and Ground Lessee. Notwithstanding the foregoing, nothing herein shall be construed to obligate or permit any Owner or Ground Lessor to violate its obligations under this DEA.

8.12 Compliance With Mixed Finance Amendment and Public Housing Requirements. Notwithstanding anything to the contrary herein, the rights and obligations of Owners hereunder regarding restoration of the Residential Parcels are subject to and must be consistent with the Mixed Finance Amendment to the Consolidated Annual Contributions Contract to be executed with respect to the Residential Parcels by Declarant and the United States Secretary of Housing and Urban Development, together with the other Public Housing Requirements. In the event of any conflict between this DEA and the Public Housing Requirements, the Public Housing Requirements shall be controlling as to the portion of the Residential Parcels comprised of PHA-Assisted Units.. This Section 8.12 shall terminate and be of no further force and effect upon termination of the Regulatory and Operating Agreement.

9. Condemnation.

9.1 Restoration upon Condemnation. If any part of the Improvements situated on any Owner's Parcel (including Common Building Components and Structural Components, but excluding any separate Structural Components or separate Utility Facilities serving one Owner alone) is taken by condemnation, eminent domain or a sale under threat of condemnation ("Condemnation"), such Owner shall reconstruct said Improvements as nearly as possible to the condition thereof as existed immediately prior to such Condemnation in accordance with the requirements and subject to the conditions of this Article 9.

Notwithstanding anything to the contrary contained in this Article 9, in no event shall any Owner or Mortgagee be required to rebuild, replace or restore any Improvements (i) if as a consequence of the condemnation, the remaining Improvements would be unsuitable or economically unfeasible for the use to which such Improvements had been put before such Condemnation, even if Restoration were made; or (ii) at a cost in excess of the proceeds of Condemnation award actually received.

9.2 Waiver of Award. If a Parcel or any part thereof is taken by Condemnation, each other Owner waives, in favor of the Owner whose property or part thereof is taken by Condemnation, any value of the Condemnation award attributable to any easements which any other Owner holds in the property of such other Owner; and no part of such award shall be payable to the holder of the dominant tenement by virtue of such easement.

9.3 No Termination of Easements. No termination under this Article of any Owner's obligations to restore, operate, and maintain as provided in this DEA shall affect the existence of the easements granted under Article 3 hereof, except to the extent such easements burden the land taken by condemnation.

9.4 Mortgagee Participation. Nothing herein contained shall be deemed to prohibit any Mortgagee from participating in any eminent domain proceedings on behalf of any Owner, or in conjunction with any Owner.

10. Real Estate Taxes or Impositions.

10.1 Payment of Taxes or Impositions. Each Owner and Ground Lessee shall pay before delinquency all Impositions levied on its interest in each Parcel and the Improvements and personally thereon, if any. Upon request, each Owner or Ground Lessee shall show to the other Owners or Ground Lessees receipts for all Impositions required to be paid by the Owner.

10.2 Failure to Pay Impositions. Subject to an Owner's right to contest an Imposition, if an Owner fails to pay any Imposition as provided herein, any other

Owner may pay the Imposition after ten (10) days' notice to the delinquent Owner. Upon payment, the delinquent Owner shall reimburse the paying Owner for the sums so expended within ten (10) days after request. If payment in full is not made within ten (10) days of such request, interest at the Interest Rate shall accrue and be payable by the delinquent Owner.

11. Arbitration. Whenever this DEA provides that a dispute shall be arbitrated or if the Owners agree to arbitrate, the arbitration shall be conducted under the rules and regulations of the American Arbitration Association (including those provisions regarding expedited arbitration, when the dispute to be arbitrated is limited to determining whether the giving or withholding of consent or approval was reasonable). The determinations of the arbitrator(s) shall be final and conclusive upon the parties to such arbitration, except as may be provided by California law.

12. Notices and Approvals.

12.1 Notices. All notices, demands, requests, approvals, disapprovals, or other communications ("Notice") that an Owner or Ground Lessee gives to any other Owner or Ground Lessee shall be in writing and deemed properly given if (a) served personally, or (b) mailed, when deposited with the United States Postal Service for certified delivery, return receipt requested, with postage prepaid, or (c) sent by overnight courier, postage prepaid, in each case addressed to the applicable recipient to such place(s) as each Owner or Ground Lessee or their respective successors may from time to time designate by notice to the others; provided, however, that copies of any Notice shall also be sent to the Defaulting Owner's or Ground Lessee's Mortgagee in accordance with Section 13.1. Notices shall be deemed given as of the earlier of actual receipt or three (3) days from the date of mailing.

12.2 Time and Form of Approvals. Wherever in this DEA approval of an Owner is required, and unless a different time limit is provided herein, such approval or disapproval shall be given in writing within thirty (30) days after receipt of the item to be so approved or disapproved. Failure to give approval within the time specified shall be conclusively deemed to constitute approval. Any disapproval which requires reasonableness shall specify with particularity the reasons therefor. The request for approval shall be clearly marked as requiring approval and shall indicate the section of this DEA under which approval is required.

13. Mortgagee Protection.

13.1 Notice to Mortgagees, Cure Rights.

(1) Each Mortgagee shall be entitled to receive notice of any default or breach of this DEA by the Owner whose Parcel or interest therein secures such Mortgagee's Mortgage, and any other notice given to such Owner under this

DEA, from each of the Owners, provided such Mortgagee has delivered a notice to each Owner stating that it is a Mortgagee to a specified Parcel, providing its name and address for notice hereunder. Each Owner shall acknowledge in writing its receipt of the name and address of a Mortgagee so delivered to it. Any notice to a Mortgagee shall be given as provided in Section 12.1, and no notice to an Owner shall be effective until a copy thereof has been given to such Mortgagee if required hereunder.

(2) If any notice is given of an Owner's default, then the Mortgagee under the Mortgage affecting the defaulting Owner's interest in a Parcel or Parcels shall be entitled (but shall not be required) to cure any such default; provided, however, that if such default is not cured or remedied within the period described in Section 6.1, the non-defaulting Owner shall be entitled to cure or remedy such default as set forth in that section.

(3) Any notice given under this DEA to a Person which is a Mortgagee in more than one capacity shall be deemed a notice given in accordance with the terms hereof to such Person in all such capacities.

13.2 Priority of Mortgage Liens. No breach of any provision of this Agreement, nor the enforcement of any lien provided in this Agreement, shall impair, defeat or invalidate the lien of any Mortgage; provided, however, that all provisions hereof shall be binding upon and effective against any Owner of a Parcel whose title is derived through foreclosure of any Mortgage or acceptance of any deed in lieu of foreclosure from and after the date of such Owner's acquisition of that Parcel.

13.3 Subordination of Liens. Any lien provided for in Article 6 above shall be subordinate to the lien of any Mortgage now or hereafter encumbering any Parcel, and that lien shall be extinguished by the foreclosure of any Mortgage. However, the transfer of that Parcel as a result of the foreclosure of that Mortgage shall extinguish only any lien pursuant to this Agreement that was due and payable before the foreclosure and only as to the Parcel affected by the foreclosure. The purchaser of that Parcel at foreclosure shall take title subject to the terms hereof and shall be liable for any liens arising thereafter pursuant to this Agreement as a result of defaults occurring thereafter for so long as the purchaser continues to hold title to that Parcel. Nothing in this Section 13.3 shall be construed to release any Owner from its obligation to pay costs levied pursuant to this Agreement during its ownership of its Parcel(s).

14. Amendment.

(1) Except as provided in this Article 14 or elsewhere in this DEA, this DEA may be amended only by a writing signed and acknowledged by the Owners and Ground Lessees **(if any)** and recorded in the Official Records. If a

Mortgage so requires, no amendment shall be binding on a Mortgagee unless such Mortgagee has consented thereto in writing.

(2) No Owner, Ground Lessee or any Mortgagee whose consent is requested, shall unreasonably withhold or delay approval of any amendment requested by another Owner, Ground Lessee or Ground Lessee provided that such amendment does not result in increased unreimbursed costs or other material detriment for the Owner or Mortgagee whose consent is requested (including, without limitation, a material decrease in value of such Owner's Parcel or Ground Lessee's interest in the Parcel or the Improvements on the Parcel or a material impairment of such Owner's or Ground Lessee's operations). An Owner or Ground Lessee requesting any such amendment shall agree to bear the reasonable attorneys' fees of the other Owners or Ground Lessee and Mortgagees in connection with reviewing and approving such amendment.

15. Termination Date. This DEA shall remain in force and effect until seventy-five years from the date of this DEA ("Termination Date") and shall be automatically renewed thereafter, provided, however, that this DEA shall terminate on such earlier date as may be required in order that this DEA will not be invalidated or be subject to invalidation under applicable Law. Notwithstanding the foregoing, **until all the Parcels are owned by a single Owner and there exist no ground leasehold interests in any of the Parcels,,** any easements granted to an Owner which exist on the Termination Date shall continue in perpetuity so long as ~~such Owner has Improvements on its~~ **Improvements exist on such Owner's** Parcel and **the easement** has not **been** abandoned ~~its easement~~, notwithstanding the rights and remedies provided in Article 3 so long as the use of such easement or right continues.

16. No Dedication. Nothing contained in this DEA shall be deemed to create or result in a dedication of any portion of the Property for public use or to create any rights in the general public.

17. Miscellaneous.

17.1 Exhibits. Each reference herein to an Exhibit refers to the applicable Exhibit that is attached to this DEA, which Exhibit may be amended by the Parties from time to time in accordance with the provisions of Article 14 hereof. All such Exhibits constitute a part of this DEA.

17.2 DEA for Exclusive Benefit of the Owners and Ground Lessees. Except for provisions expressly stated to be for a Mortgagee's benefit, the provisions of this DEA are for the exclusive benefit of the Owners and Ground Lessees, their successors and assigns, and not for the benefit of nor give rise to any claim or cause of

action by any third Person, and this DEA shall not be deemed to have conferred any rights upon any third Person.

17.3 Waiver of Default. A waiver of any default by an Owner must be in writing and no such waiver shall be implied from an Owner's failure to take action regarding such default. One or more written waivers of any default in the performance of any provision of this DEA shall not be deemed to be a waiver of any subsequent default in the performance of the same provisions of any other term or provision contained herein.

17.4 Recourse. Notwithstanding any provision in the DEA to the contrary, except as provided in Section 17.11, and except for any claims arising under Section 8.6 if any Owner has a liquidated claim of money damages against any other Owner hereunder, the amount of which is not in dispute, the sole remedy of any other Owner shall be to foreclose a lien as described in Article 6 hereof, and no other Owner will seek a money judgment against any Owner in addition to foreclosing such lien, except (after notice as provided in Article 6 hereof):

(1) If any Owner pays any insurance premium which any Owner failed to pay under Article 8 hereof, such Owner may recover the amount of any such premium paid;

(2) If an Owner fails to raze Improvements in accordance with Section 5, the Owner performing such razing may recover the costs incurred for such razing from the Owner failing to so perform;

(3) Any Owner may recover the costs of enforcing the provisions of this Section 17.4, including but not limited to reasonable attorneys' fees;

(4) An Owner shall: (a) commit a default of its Restoration obligations or shall have failed to insure the Improvements in accordance with Article 8 hereof and as result of said failure to insure shall not receive insurance proceeds to complete required Restoration of the Improvements; and (b) determine not to commence and complete Restoration of the Improvements as required pursuant to Article 5 hereof, the other party may at its election recover from the defaulting party damages equal to the amount that should have been payable had the required insurance been in place; and

(5) In the event and to the extent any Owner misappropriates insurance proceeds in violation of this DEA.

17.5 No Partnership, Joint Venture or Principal-Agent Relationship. Neither anything in this DEA nor any acts of the Parties shall be deemed by the Parties, or by an any third Person, to create the relationship of principal and agent, or

of partnership, or of joint venture, or of any association between the Parties and no provisions of this DEA are intended to create or constitute any person a third party beneficiary hereof.

17.6 Successors. This DEA shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties.

17.7 Severability. If any provision of this DEA shall to any extent be invalid or unenforceable, the remainder of this DEA (or the application of such provision to Persons or circumstances other than those in respect of which it is invalid or unenforceable) shall not be affected thereby.

17.8 Governing Laws. This DEA shall be construed and governed in accordance with the laws of the State of California.

17.9 Release. If an Owner or Ground Lessee obligated to comply with any provisions of this DEA sells, transfers or otherwise conveys its Parcels, ground leasehold interest, or any part thereof or interest therein, such Owner or Ground Lessee shall, as respects the Parcel, ground leasehold interest or part thereof so conveyed, be released from all obligations to thereafter comply with this DEA provided:

(1) It gives notice to the other Owners and Ground Lessees of its sale, transfer or other conveyance promptly after the filing for record of the instrument effecting the same;

(2) All amounts from any insurance proceeds or condemnation awards required to be used as provided in this DEA are set aside and committed for such use, or are transferred to the grantee under such sale, transfer or other conveyance; and

(3) Such Owner or Ground Lessee delivers to the other Owners and Ground Lessees an instrument signed by its grantee in recordable form that acknowledges such grantee's assumption of the duties, responsibilities and obligations imposed on such party or Person by this DEA and assumed by such grantee, which instrument must be in a form reasonably satisfactory to said other Owners and Ground Lessees. Notwithstanding such Owner's or Ground Lessee's failure to provide the other Owners and Ground Lessees with the document described above in this Subparagraph, the grantee of any sale, transfer or other conveyance of such Parcel or ground leasehold, or any part hereof shall be deemed to have automatically assumed all provisions of this DEA that such Owner or Ground Lessee was theretofore obligated to perform.

Nothing, however, relieves an Owner or Ground Lessee of obligations arising before such transfer.

17.10 Covenants Run with the Land. It is intended that the covenants, easements, agreements, promises and duties of each Owner set forth in this DEA shall be construed as covenants and not as conditions, and that, to the fullest extent legally possible, all such covenants shall run with the land or constitute equitable servitudes as between the Parcel of the respective covenant, as the servient tenement, and the Parcel of the respective covenants, as the dominant tenement.

Unless the context indicates otherwise and where expressly provided to the contrary, every covenant, easement, agreement and promise of each Owner as set forth in this DEA shall be deemed a covenant, easement, agreement and promise made for the joint and several benefit of the other Owners and every duty of each Owner as set forth in this DEA shall be deemed to run to and for the joint and several benefit of the other Owners.

17.11 Right to Enjoin/Specific Performance. If an Owner violates or threatens to violate any provision of this DEA, any other Owner shall have the right, subject to the provisions of Article 13, to apply to a court of competent jurisdiction for an injunction against such violation or threatened violation, or for specific performance of the subject provision, but nothing in this Section shall be deemed to affect whether or not injunctive relief or specific performance is available on account of such violation or threatened violation.

17.12 Default Shall Not Permit DEA Termination. No default under this DEA shall entitle any Owner to cancel or otherwise rescind this DEA, provided, however, that this limitation shall not affect any other rights or remedies that the Owners may have by reason of any default under this DEA.

17.13 Correction of Parcel and Easement Descriptions. It is recognized that through construction errors, tolerances or variations the Improvements may not be constructed precisely within a Parcel. If any Owner orders an "as-built" survey of its Improvements, such Owner shall, without cost to the other Owners, furnish a copy thereof to each other Owner. If a survey discloses that the Improvements of an Owner have not been constructed completely within the boundaries of its respective Parcel, then upon request of the encroaching Owner, and provided such encroachment is permitted hereunder, each other Owner upon whose Parcel such Improvements have been constructed shall acknowledge that such encroachment is permitted hereunder. The Owners shall also amend the description of any easement areas affected by such encroachments, at the cost of the encroaching Owner.

Nothing herein contained shall in any manner be construed as diminishing or deemed to constitute a waiver of any rights of an Owner resulting from another Owner's failure to construct its Improvements as herein required and this

Section shall not relieve or excuse an Owner from exercising all due diligence to construct its Improvements within its Parcel.

17.14 Attorneys' Fees. If any Owner institutes any action or proceeding, excluding any arbitration proceeding, against the other or others relating to the provisions of this DEA, or any default hereunder, then, the unsuccessful litigant(s) in such action or proceeding agree(s) to reimburse the successful litigant(s) therein for the reasonable expenses and attorneys' fees and disbursements incurred therein by the successful litigant(s) as determined by the court.

17.15 Estoppel Certificate. Each Owner hereby severally covenants that within ten (10) business days after a written request of any other Owner, it will issue to such other Owner, or to any Mortgagee, or to any prospective purchaser or prospective Mortgagee specified by such requesting Owner, or to any other Person reasonably designated by the requesting Owner, an estoppel certificate stating: (i) whether the Owner to whom the request has been directed knows of any default under this DEA, and if there are known defaults specifying the nature thereof; (ii) whether this DEA has been modified or amended in any way (or if it has, then stating the nature thereof); and (iii) that to the Owner's knowledge this DEA as of that date is in full force and effect or, if not, so stating. Such statement shall act as a waiver of any claim by the Owner furnishing it to the extent such claim is based upon facts contrary to those asserted in the statement and to the extent the claim is asserted against a bona fide encumbrancer or purchaser for value without knowledge of facts to the contrary of those contained in the statement, and who has acted in reasonable reliance upon the statement. However, such statement shall in no event subject the party furnishing it to any liability whatsoever, notwithstanding the negligent or otherwise inadvertent failure of such Owner to disclose correct and/or relevant information.

17.16 Time of Essence. Time is of the essence with respect to the performance of each of the covenants and agreements contained in this DEA.

By: **HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO**, a public body, corporate and politic

By: _____
Name: Gregg Fortner
Title: Executive Director

Approved as to Legality and Form:

_____
Carl Williams, General Counsel

EXHIBIT A

Legal Description of Residential Parcels

West Block (Assessor's Block 43)

Parcel A, Lot ____ as shown and delineated upon that certain map entitled "Parcel Map, Being an Airspace Subdivision of the Lands Described in Grant Deed 4037 O.R. 454, Also Being a Subdivision of Lot 1 of Assessor's Block 43, Also Being a Portion of 50 Vara Block 204", recorded in the Office of the Recorder in and for the City of San Francisco, _____, 2002 in Book _____ of Parcel Maps, Pages _____ through _____, inclusive.

East Block (Assessor's Block 42)

Parcel A, Lot ____ as shown and delineated upon that certain map entitled "Parcel Map, Being an Airspace Subdivision of the Lands Described in Grant Deed 4037 O.R. 454, Also Being a Subdivision of Lot 1 of Assessor's Block 42, Also Being a Portion of 50 Vara Block 204", recorded in the Office of the Recorder in and for the City of San Francisco, _____, 2002 in Book _____ of Parcel Maps, Pages _____ through _____, inclusive.

EXHIBIT B

Legal Description of Commercial Parcels

West Block (Assessor's Block 43)

Parcel B, Lot ____ and Parcel C, Lot ____as shown and delineated upon that certain map entitled "Parcel Map, Being an Airspace Subdivision of the Lands Described in Grant Deed 4037 O.R. 454, Also Being a Subdivision of Lot 1 of Assessor's Block 43, Also Being a Portion of 50 Vara Block 204", recorded in the Office of the Recorder in and for the City of San Francisco, _____, 2002 in Book _____ of Parcel Maps, Pages _____ through _____, inclusive.

East Block (Assessor's Block 42)

Parcel B, Lot ____ and Parcel C, Lot ____as shown and delineated upon that certain map entitled "Parcel Map, Being an Airspace Subdivision of the Lands Described in Grant Deed 4037 O.R. 454, Also Being a Subdivision of Lot 1 of Assessor's Block 42, Also Being a Portion of 50 Vara Block 204", recorded in the Office of the Recorder in and for the City of San Francisco, _____, 2002 in Book _____ of Parcel Maps, Pages _____ through _____, inclusive.

EXHIBIT C

Location of Emergency Egress Easements

Schedule 1

Portion of "Commercial Owner's Share" to be paid by each Commercial Owner:

Commercial Parcel	1	_____ %
Commercial Parcel	2	_____ %
Commercial Parcel	3	_____ %
Commercial Parcel	4	_____ %

11/07/02

This instrument prepared by
and after recordation return to:

Record at no charge pursuant to
Government Code Section 27383

REGULATORY AND OPERATING AGREEMENT

FOR

NORTH BEACH PLACE

DOCUMENTS DEPT.

DEC 18 2002

SAN FRANCISCO
PUBLIC LIBRARY

TABLE OF CONTENTS **PAGE**

TO BE CORRECTED IN FINAL VERSION

1. DEFINITIONS 3

2. PHA-ASSISTED UNITS. 9

2.1 NUMBER AND DESCRIPTION 9
2.2 DISTRIBUTION 10
2.3 INCOME TARGETING 10
2.4 OVER-INCOME TENANTS 10
2.5 CHANGING DESIGNATION OF UNITS ..... **ERROR! BOOKMARK NOT DEFINED.**
2.6 HUD REQUIREMENTS ..... **ERROR! BOOKMARK NOT DEFINED.**

3. OPERATION OF PHA-ASSISTED UNITS. 10

3.1 PERFORMANCE 10
3.2 INTENT 11
3.3 BUDGET 11
3.4 MANAGEMENT AGENCY. 11
3.5 MANAGEMENT PERFORMANCE STANDARDS 13
3.6 RESIDENT SELECTION AND ASSIGNMENT. 13
3.7 DELEGATION ..... **ERROR! BOOKMARK NOT DEFINED.**
3.8 LEASES 14
3.9 AUTHORITY DETERMINATIONS NOT TO ADVERSELY AFFECT OWNER. 14
3.10 WAIVERS 15
3.11 GRIEVANCE PROCEDURE 15
3.12 LOW INCOME HOUSING TAX CREDIT REQUIREMENTS 15
3.13 DUE ADOPTION; PUBLIC HOUSING AGENCY PLAN 16

4. OPERATING ASSISTANCE. 16

4.1 DEVELOPMENT-SPECIFIC ACC AMENDMENT 16
4.2 OPERATING SUBSIDY REQUIREMENT. 16
4.3 OPERATING SUBSIDY PAYMENT 17
4.4 HUD DOCUMENTATION 18
4.5 FUTURE CHANGES. 18
4.6 OPERATING ACCOUNT 19
4.7 OMITTED. ..... **ERROR! BOOKMARK NOT DEFINED.**
4.8 PUBLIC HOUSING CAPITAL FUND 19
4.9 OTHER HUD FUNDS 19
4.10 SECTION 42 COMPLIANCE 19
4.11 NET INCOME WITHOUT OPERATING SUBSIDY 20

5. RESERVES. 20

5.1 AFFORDABILITY RESERVE; ESTABLISHMENT AND OWNERSHIP. 20
5.2 DEPOSITS. 22
5.3 WITHDRAWALS 22
5.4 FLOOR AND CEILING LEVELS 23
5.5 AUDIT 24

TO BE CORRECTED IN FINAL VERSION

5.6 Replacement Reserve (PHA-Assisted). 24
5.7 Other Reserves 25
5.8 Disposition 25

6. PRESERVATION AND TRANSFORMATION OF PHA-ASSISTED UNITS. 25

6.1 General 25
6.2 No Contribution 25
6.3 Initial Remedies 25
6.4 Intermediate Remedies. 26
6.5 Transformation 27
6.6 Preservation and Transformation Plan. 27
6.7 Restoration of Units 28
6.8 Inability to Fulfill Obligations 28
6.9 First Right of Return 28
6.10 Subsequent Laws 28
6.11 Good Faith 29

7. FINANCIAL STATEMENTS AND REPORTS; ANNUAL RECONCILIATION. 29

7.1 Accounting System 29
7.2 Quarterly Report 29
7.3 Annual Statement of Income and Expenses 30
7.4 Annual Audited Financial Statements 30
7.5 Supplemental Data 30
7.6 Annual Reconciliation. 30
7.7 Maintenance of Records 32

8. NON-DISCRIMINATION AND OTHER FEDERAL REQUIREMENTS 32

9. INSURANCE REQUIREMENTS; RESTORATION OF PROPERTY. 32

10. DISPOSITION AND ENCUMBRANCE 33

10.1 No Demolition or Disposition 33
10.2 No Encumbrances 33
10.3 Exclusions 34
10.4 Transfers of Interests. 34

11. DEFAULT AND REMEDIES. 35

11.1 Default 35
11.2 Notice and Cure Period. 36
11.3 Remedies 36
11.4 Rights of Others 36
11.5 Exclusive Remedy 36

12. DISCLAIMER OF HUD RELATIONSHIPS. 37

13. MISCELLANEOUS. 37

TABLE OF CONTENTS **PAGE**

TO BE CORRECTED IN FINAL VERSION

13.1 TERM OF AGREEMENT 38
13.2 DECISION STANDARDS. 38
13.3 AUTHORITY APPROVALS 38
13.4 NOTICES 39
13.5 FURTHER ASSURANCES 40
13.6 NO ASSIGNMENT 40
13.7 COUNTERPARTS 40
13.8 INTERPRETATION AND GOVERNING LAW 40
13.9 SEVERABILITY 41
13.10 NO PERSONAL LIABILITY 41
13.11 MODIFICATION OF AGREEMENT 41
13.12 OWNER'S EMPLOYEES AND LIABILITIES 41
13.13 NEITHER PARTY AN AGENT 41
13.14 CONFLICT OF INTEREST 41
13.15 WAIVERS 41
13.16 TOTAL AGREEMENT 41
13.17 CALENDAR DAYS 42
13.18 TEMPORARY INTERESTS 42

EXHIBIT A Development Site Description
EXHIBIT B Description of Residential Parcels within Development Site

REGULATORY AND OPERATING AGREEMENT
FOR
NORTH BEACH PLACE

This Regulatory and Operating Agreement (the "Agreement") is entered into as of the ___ day of _____, 2002, by and between the Housing Authority of the City and County of San Francisco ("San Francisco Housing Authority" or "the Authority"), a public body corporate and politic organized under the laws of the State of California and a "public housing agency" as defined in the United States Housing Act of 1937, and North Beach Housing Associates, a California limited partnership ("Owner").

RECITALS

A. The Authority is the owner of certain real property in the City of San Francisco, California on which was previously located the 229-unit public housing complex known as North Beach. The Authority and the United States Department of Housing and Urban Development ("HUD") have entered into a HOPE VI Implementation Grant Agreement ("the Grant Agreement"), pursuant to which HUD is providing the Authority with approximately $20,000,000 in HOPE VI grant funds for the comprehensive revitalization of North Beach and the surrounding neighborhood (the "Revitalization").

B. The Revitalization is to occur on certain real property more fully described in **Exhibit A** hereto (the "Development Site"). The Development Site comprises the original North Beach site, which was located on two city blocks known as the East Block, bounded by Mason, Taylor, Bay and Francisco Streets, and the West Block, bounded by Taylor, Columbus, Bay and Francisco Streets. The Development Site has been subdivided into residential and commercial parcels. The residential parcels within the Development Site, as described in **Exhibit B** hereto and the improvements constructed or to be constructed therein are referred to herein as the "Development." Owner will construct and operate 341 units of rental housing within the Development.

C. The Authority has entered into a Disposition and Development Agreement dated as of March 12, 2002 with North Beach Development Associates, LLC ("NBDA"), as the developer to undertake the development, construction and operation of the Revitalization. Pursuant thereto, NBDA has caused Owner to be organized.

D. Owner and the Authority desire and intend that the Development be developed, operated and managed so as to create a stable, sustainable community. Of the 341 units in the Development, all except the 5 non-tax credit units described below and 3 units designated for live-in property management staff will be operated and maintained as qualified low-income units under Section 42 of the Internal Revenue Code of 1986, as amended ("Section 42"), for a period of not less than the compliance period and any extended use period (as such terms are defined in Section 42). One hundred thirty eight units (138) shall be set aside as "public housing" as defined in Section 3(b) of the United States Housing Act of 1937, as amended (the "Act"), are referred to

herein as "PHA-Assisted Units") and shall be eligible to receive the benefit of operating assistance provided to the Authority by HUD pursuant to Section 9 of the Act. Five of these "PHA-Assisted Units" shall not be designated tax credit units and initially shall be made available to former North Beach residents, if any, whose household income exceeds that allowed by the tax credit program.

E. An additional 118 units shall be set aside for "project based certificates" and shall be eligible to receive the benefit of rental assistance pursuant to an Housing Assistance Payment Contract between the Authority and Owner pursuant to Section 8 of the Act. Of these Section 8 units, 90 units shall be available for occupancy by former residents of North Beach and other public housing-eligible residents as set forth in the Ground Lease between Owner and the Authority, a memorandum of which shall be recorded against the Development concurrently with this Agreement.

F. Because Owner will be obligated to lease the PHA-Assisted Units to families whose rents are restricted and may be less than the operating costs of the PHA-Assisted Units, the Authority has agreed to subsidize the operation of the PHA-Assisted Units through the provision of operating assistance provided to it by HUD.

AGREEMENT

In consideration of the foregoing recitals and underlying promises, which both parties agree to be good and valuable consideration, and intending to be legally bound, the parties agree as follows:

1. DEFINITIONS. As used herein, the following terms shall have the following meanings:

1.1 "ACC" means the Consolidated Annual Contributions Contract between HUD and the Authority, No. SF-255 dated August 1, 1996, as amended from time to time including, without limitation, as amended by a Mixed Finance Amendment relating to the Development executed substantially contemporaneously herewith.

1.2 "Act" means the United States Housing Act of 1937, as amended from time to time, and any successor legislation.

1.3 "Admissions and Continued Occupancy Policy" or "ACOP" means the public housing resident admissions policy adopted by the Board of the Authority and amended from time to time.

1.4 "AEL" or "Allowable Expense Level" means the Authority's Allowable Expense Level as defined in 24 CFR Part 990, established by HUD for purposes of calculating the Authority's operating subsidy entitlement under the ACC.

1.5 "Affiliate" means, with respect to any other entity (referred to for clarity in this definition as a "Primary Entity"), (1) any entity which has the power to direct the Primary Entity's management and operation, or any entity whose management and operation is controlled by the Primary Entity; or (2) any entity in which an entity described in (1) has a controlling interest; or (3) any entity a majority of whose voting equity is owned by the Primary Entity; or (4) any entity in which or with which the Primary Entity, its successors or assigns, is merged or consolidated, in accordance with applicable statutory provisions for merger or consolidation, so long as the liabilities of the entities participating in such merger or consolidation are assumed by the entity surviving such merger or created by such consolidation.

1.6 "Affordability Reserve" means a reserve account established in accordance with section 5.1 hereof, intended primarily to guard against a decline in, or elimination of, operating subsidy.

1.7 "Affordability Reserve Ceiling Level" is defined in Section 5.4 hereof.

1.8 "Affordability Reserve Floor Level" is defined in Section 5.4 hereof.

1.9 "Approved Mortgage Lender" means any lender of an Approved Mortgage Loan.

1.10 "Approved Mortgage Loan" means any mortgage loan to Owner, secured by Owner's interest in the Development or any portion thereof, that is identified in the Mixed Finance Amendment or that has been approved in writing by the Authority and by HUD.

1.11 "Authority" means the Housing Authority of the City and County of San Francisco, California, together with its successors and assigns.

1.12 "Authority Mortgage Loan" means the loan of HOPE VI Funds which shall be made by the Authority to Owner pursuant to the Authority Mortgage Loan Agreement.

1.13 "Authority Mortgage Loan Agreement" means the Authority Mortgage Loan Agreement(s) of even date herewith between the Authority, as lender, and Owner, as borrower, and for purposes of this document, any other documents evidencing an Authority Mortgage Loan as defined herein, as the same may be amended or supplemented from time to time.

1.14 "Authority Oversight Fee" has the meaning given in Section 4.3(b) of this Agreement.

1.15 "Authority Percentage" means forty percent (40%).

1.16 "CPI" means the Consumer Price Index - All Urban Consumers applicable for the area which includes San Francisco, California as published by the United States Bureau of Labor Statistics, or such successor Consumer Price Index as most closely corresponds to the foregoing index. If that index is no longer published, or if a substantial change is made in the terms or number of items contained in the CPI, then the CPI shall be adjusted to the figure that would have

been arrived at (or as close to such figure as shall be practical) had the manner of computing the CPI in effect at the date of this Agreement not been altered.

1.17 "Declaration of Trust" means that certain Declaration of Trust and Restrictive Covenants in favor of HUD recorded against the Development which obligates Owner and any successor in title to the Development Site, including a successor in title by foreclosure or deed-in-lieu of foreclosure (or the leasehold equivalent), to maintain and operate the PHA-Assisted Units in compliance with Public Housing Requirements for the period stated therein.

1.18 "Development" means the residential parcel(s) within the Development Site, as such parcels are described on Exhibit B attached hereto and the improvements constructed or to be constructed therein.

1.19 "Development Fiscal Year" means the fiscal year of Owner (which is the calendar year).

1.20 "Development Operating Expenses" means all necessary and reasonable operating expenses of the Development for any period which are generally incurred by all units without distinction, including:

(a) all ordinary and necessary expenses of operations of the Development shown as line items on Form HUD-92547-A (Budget Worksheet) including any real estate taxes, property assessments and payments in lieu of taxes, but exclusive of i) debt service requirements of any lender (including the Authority) except to the extent permitted in subsection (b), and ii) utility expenses which are the direct responsibility of the tenant;

(b) debt service requirements for debt that finances repairs or replacements to the entire Development, but only if approved by the Authority and HUD;

(c) management fees and expenses payable pursuant to the Management Agreement;

(d) legal expenses associated with the operation of the Development and accounting and audit expenses, including tax return preparation expenses, which would be permitted to be charged as project expenses pursuant to HUD Handbook 4370.2 REV-1, Financial Operations and Accounting Procedures for Insured Multifamily Projects, or any successor thereto;

(e) reasonable contributions to the replacement reserve and reserves for any other purposes which are determined prudent by Owner and approved by the Authority, or as required by any Approved Mortgage Lender or Investor;

(f) reasonable partnership management fees paid to the managing general partner of Owner, not to exceed $ 30,000 per annum;

(g) sums for tenant programs and services, as Owner may determine to be reasonable, but excluding any portion thereof paid out of any source not included in PHA-Assisted Units Income.

1.21 "Development Site" means the real property on which the Development is located, as more particularly described in Exhibit A hereto.

1.22 "EIOP" means the End of Initial Operating Period (as used in 24 CFR 941.404(a) and referenced in 24 CFR 990.102 (Unit Months Available)).

1.23 "Excess Operating Subsidy" has the meaning given in Section 4.9.

1.24 "First Lender" means Citibank, F.S.B., and its successors and assigns, as Approved Mortgage Lenders.

1.25 "Former Resident" means a family which occupied a unit in the public housing complex which previously existed on the Development Site, which vacated such unit pursuant to the Authority's request in connection with the Revitalization, and which is eligible for rehousing in accordance with Authority policies or rehousing agreements. Former Residents are identified on a list which the Authority has previously certified to Owner as the complete list of Former Residents and which the Authority will update in accordance with the Management Plan.

1.26 "Funded AEL" is defined in Section 4.2.

1.27 "Grant Agreement" means the HOPE VI Grant Agreement between the Authority and HUD, relating to North Beach, dated as of May 16, 1997.

1.28 "Ground Lease" means that certain ground lease of even date herewith between the Authority, as Lessor, and Owner, as Lessee, a memorandum of which has been recorded in the land records of the City and County of San Francisco, conveying a leasehold interest in the Development Site.

1.29 "HUD" means the United States Department of Housing and Urban Development.

1.30 "Initial Deposit" means the deposit(s) provided for in Section 5.2(a).

1.31 "Investor" means Related Capital Company, its Affiliates, successors and assigns, as approved by HUD and the Authority in accordance with, and to the extent required by, Section 10.4 hereof, and includes for these purposes either or both of an investor limited partner of the Owner and a related special limited partner exercising administrative or oversight functions in the Owner.

1.32 "Management Agent" means the Management Agent named in the Management Agreement (which shall initially be The John Stewart Company) or any successor management agent of the Development appointed by Owner in accordance with Section 3.4 of this Agreement.

1.33 "Management Agreement" means the management agreement covering the Development to be entered into between Owner and the Management Agent pursuant to Section 3.4 hereof.

1.34 "Management Plan" means the comprehensive and detailed written description of the policies and procedures to be followed in the management of the Development after construction is complete, as described in Section 3.4 hereof.

1.35 "Non-PHA-Assisted Units" means dwelling units of the Development which are not PHA-Assisted Units.

1.36 "Operating Fund" or "Operating Funds" means federal moneys authorized under Section 9.e. of the Act and provided to the Authority by HUD.

1.37 "Operating Subsidy Payment" means any amount actually paid by the Authority to Owner in satisfaction of the Operating Subsidy Requirement.

1.38 "Operating Subsidy Requirement" means the amount required to be paid by the Authority to Owner in any given period in accordance with Section 4.2 below.

1.39 "Operating Subsidy Target" has the meaning given in Section 5.3(b).

1.40 "Owner" means North Beach Housing Associates, a California limited partnership and its successors and assigns approved by HUD and the Authority in accordance with, and to the extent required by, Section 10.4 hereof.

1.41 "Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of Owner, dated of even date herewith, as it may be amended subject to any approvals required hereunder.

1.42 "Permitted Investments" means (a) direct obligations fully guaranteed by the United States of America or any agency therefor, (b) certificates of deposit and repurchase agreements which are fully insured by the Federal Deposit Insurance Corporation or have maturities no greater than two years issued by any bank trust company or national banking association having an A or better grade (or its equivalent) by Standard & Poor's Corporation and Moody's Investor Service, Inc., (c) commercial paper rated in the highest grade by Standard & Poor's Corporation and Moody's Investor Service, Inc., in each case having maturity of not more than one-hundred and eighty days, (d) a money market fund limited to U.S. government obligations, U.S. agency obligations, or repurchase agreements backed by such obligations, (e) investment agreements or guaranteed investment contracts rated, or with any financial institution whose senior long-term debt obligations are rated, at the time such agreement or contract is entered into, in one of the three highest rating categories for comparable types of obligations by any nationally recognized rating agency, and (f) such other investment approved in writing by the Authority and Owner, provided that such other investment must be consistent with HUD notices on permitted investments or approved in writing by HUD.

1.43 "PHA-Assisted Unit" means one of the 138 dwelling units in the Development designated as such by Owner and operated and maintained as a "public housing" unit in accordance with Public Housing Requirements, as further described at Section 2 hereof.

1.44 "PHA-Assisted Unit Lease" means a lease described in Section 3.6 hereof.

1.45 "PHA-Assisted Units Expenses" means (a) Development Operating Expenses, less any amounts that are not eligible uses of Operating Fund Assistance, multiplied by the Authority Percentage, plus (b) the Authority Oversight Fee. However, the portion of any line item within the Development Operating Expenses included in PHA-Assisted Units Expenses shall be altered from the Authority Percentage if either the Authority or Owner reasonably demonstrates that allocation of such item to the PHA-Assisted Units on the basis of the Authority Percentage is inappropriate (e.g., costs which relate solely or preponderantly to the Non-PHA-Assisted Units). No contribution to any Development operating reserve shall be included in PHA-Assisted Units Expenses.

1.46 "PHA-Assisted Units Income" means PHA-Assisted Units Rental Income plus Operating Subsidy Payments or other operating funds provided to Owner by the Authority.

1.47 "PHA-Assisted Units Rental Income" means all dwelling rent derived from the PHA-Assisted Units, an attributable portion of laundry income or other miscellaneous Development income, and any other sources of income received in respect of the PHA-Assisted Units, including but not limited to all types of revenue shown as line items on Form HUD 92547-A, reduced by amounts paid to PHA-Assisted Units occupants as utility reimbursement which are in excess of the Total Tenant Payments from such occupants (i.e., "negative rent"), but exclusive of (i) interest on or withdrawals from any reserves and (ii) Operating Subsidy Payments or other operating funds provided to Owner by the Authority.

1.48 "PHA-Assisted Units Shortfall" means the amount by which PHA-Assisted Units Income is less than PHA-Assisted Units Expenses for any period.

1.49 "PHA-Assisted Utilities Expenses" is defined in section 4.2(b) hereof.

1.50 "PHA Fiscal Year" means the year ending on September 30, which is the fiscal year utilized by HUD for purposes of calculating the Operating Fund assistance payments to be made by it to the Authority.

1.51 "PHA Plan" means the annual plan adopted by the Authority and approved by HUD in accordance with Section 5A of the Act.

1.52 "Preservation and Transformation Plan" means the plan described in Section 6.5 hereof for responding to legislative changes or reduced appropriations affecting the Authority's ability to comply with its contractual obligations hereunder.

1.53 "Public Housing Assessment System" or "PHAS" means the assessment system utilized by HUD pursuant to 24 CFR Part 902, or its successor.

1.54 "Public Housing Requirements" means the Act, HUD regulations thereunder, any other federal laws, regulations thereunder and executive orders pertaining to public housing, the ACC (as amended by the Mixed-Finance Amendment), the Grant Agreement and the Declaration of Trust (including any documents incorporated into any of them by amendment, exhibit or reference) as those requirements may be waived or amended from time to time. In the event of any conflict among the foregoing authorities, or between any of such authorities and this Agreement, then the Act, the Declaration of Trust and the ACC (in that order of primacy, in the event of any conflict among such authorities, and including any waivers granted pursuant thereto or pursuant to HUD regulations applicable to privately owned mixed-finance communities such as the Development) shall control.

1.55 "Replacement Reserve (PHA-Assisted)" is defined in Section 5.6 of this Agreement.

1.56 "Reserve Shortfall" has the meaning given in Section 5.4(b) of this Agreement.

1.57 "Revitalization" has the meaning stated in the Recitals.

1.58 "Section 35(h)" means Section 35(h) of the U.S. Housing Act of 1937, as amended, and any regulations that may be enacted implementing such Section.

1.59 "Section 42" means Section 42 of the Internal Revenue Code of 1986, as amended, and any implementing regulations.

1.60 "Tax Credit Requirements" means any and all matters required by Section 42, the Tax Credit Restrictive Covenant or any other agreement made with TCAC as a condition of receipt of tax credits, whether or not such requirement is explicitly stated in Section 42 or regulations thereunder, which requirements shall terminate upon any foreclosure or other transfer in lieu or in contemplation of foreclosure by the First Lender, to the extent permitted by Section 42.

1.61 "Tax Credit Restrictive Covenant" means the Extended Low-Income Housing Commitment between Owner and TCAC, commonly known as the "TCAC Regulatory Agreement", which will be recorded against the Development in the land records of San Francisco County in accordance with Section 42(h)(6) of the Internal Revenue Code of 1986, as amended.

1.62 "TCAC" means the California Tax Credit Allocation Committee.

2. PHA-ASSISTED UNITS.

2.1 Number and Description. Owner will continuously set aside 138 units in the Development as PHA-Assisted Units during the term of this Agreement, which units will initially contain a total of 304 bedrooms. Provided that Owner continues operating the PHA-Assisted Units in accordance with the Act and in accordance with the terms of this Agreement, such units

shall be eligible to receive Operating Subsidy Payments from the Authority as described below. The PHA-Assisted Units shall initially comprise the following mixture of unit sizes and descriptions:

Unit Size	Total # of Unit	Total # Bedrooms
1 Bedroom	20	20
2 Bedrooms	75	150
3 Bedrooms	38	114
4 Bedrooms	5	20
Totals	138	304

2.2 Distribution. The PHA-Assisted Units to the extent feasible shall be scattered evenly throughout the 293 family rental units within the Development. The 48-unit senior rental building shall not contain any PHA-Assisted Units. PHA-Assisted Units and Non-PHA-Assisted Units shall be constructed, maintained and operated without distinction, excepting such differences in admissions procedures, lease terms and other conditions as are mandated by Public Housing Requirements or intended by Owner and Authority to effectuate Public Housing Requirements and/or benefit the PHA-Assisted Units.

2.3 Income Targeting. Notwithstanding any other provision of this Agreement other than sections 6.4, 6.5 and 6.6, Owner will ensure that not less than 40 percent of the families newly admitted to occupancy in the PHA-Assisted Units in any PHA Fiscal Year will be families whose incomes at the time of commencement of occupancy do not exceed 30 percent of the area median income, as determined by HUD with adjustments for smaller and larger families, for so long as a like requirement shall be imposed on the Authority by Section 16(a)(2) of the Act.

2.4 Over-Income Tenants. Consistent with the requirements currently applicable to public housing, a unit shall not lose its status as a PHA-Assisted Unit solely because the income of the tenant residing therein rises above the applicable public housing income limit, or above the income tier for which such tenant originally qualified; any such unit shall be governed by rules generally applicable to units occupied by over-income tenants in the public housing program (subject to such modifications in lease and occupancy terms as are permitted hereunder), Section 42, and the Tax Credit Restrictive Covenant, as applicable.

3. OPERATION OF PHA-ASSISTED UNITS.

3.1 Performance. Owner shall maintain and operate the PHA-Assisted Units in compliance with Public Housing Requirements, this Agreement and state and local laws and so as not to cause any default thereunder, and shall perform any and all acts in connection therewith which are necessary to enable the Authority to fulfill its obligations to HUD. Notwithstanding

Owner's agreement herein to perform substantial obligations and responsibilities with regard to the PHA-Assisted Units, the Authority remains accountable to HUD for performance of such functions under and pursuant to the ACC and will monitor the performance of Owner to assure compliance therewith.

3.2 Intent. The Authority and Owner acknowledge that HUD's mixed-finance program is intended to permit public housing authorities, in partnership with other public and private entities, to address the needs of severely distressed public housing and to assure a supply of high-quality public housing. This Article 3 enumerates certain respects in which operating procedures and other requirements as to the PHA-Assisted Units may differ from those in effect with respect to conventional public housing units owned by the Authority. The Authority and Owner acknowledge further that, if experience demonstrates a need for or the desirability of further departures from standard procedures applicable to PHA-owned public housing, they will consult with each other regarding such further modifications and, if in agreement, will take such further implementing steps consistent with Public Housing Requirements, including, as appropriate, requests to HUD for revision or waiver of regulations necessary to enhance the long-term viability of the Development, or requests to implement statutory revisions made by Congress from time to time affecting either public housing in general or public housing located within privately-owned mixed-income communities in particular, provided that Authority may consider whether such requests shall have a material adverse effect on other Authority housing stock or its eligibility to receive other grants or funds.

3.3 Budget. Not later than 90 days before the first day of any PHA Fiscal Year commencing after EIOP, Owner shall submit a yearly operating budget to the Authority. The Authority's review and approval is intended to permit it to meet HUD reporting requirements and to reasonably ensure that Owner's operating budget accomplishes compliance with this Agreement. If the Authority does not disapprove the proposed budget within 45 days after its receipt and provide a detailed explanation of its reasons, and such additional notice is given to the Authority as is required by section 13.3 of this Agreement, the budget shall be deemed accepted by the Authority. The Authority shall not require an increase in part or all of the total operating budget unless the Authority concurrently shall suggest reasonable decreases in another part of the proposed budget or unless the Authority shall make additional Operating Subsidy Payments available to Owner so that the total budget does not increase.

3.4 Management Agent.

(a) Owner will retain a management agent for the Development (the "Management Agent") pursuant to a management agreement (the "Management Agreement") which will be subject to written approval by the Authority, HUD and the First Lender. The Management Agreement will hold the Management Agent responsible to Owner for management of the Development in accordance with the terms of this Agreement, Public Housing Requirements (with respect to the PHA-Assisted Units) and any other requirements placed on the Development, and in accordance with a management plan prepared by Management Agent and approved by the Authority and the First Lender, which shall be consistent with the Management Agreement and this Agreement (as amended or supplemented from time to time, the "Management Plan").

(b) The Management Agreement will contain appropriate provisions providing access by HUD, the Authority, and their designees upon reasonable notice to the Owner, to books and records maintained by the Management Agent and/or Owner relating to the Development, including the ability of the Authority to access electronically the current operating records of the Development. The Management Agreement will contain appropriate provisions permitting Owner to terminate such agreement, after notice and an opportunity to cure, in order to institute the cure of any default which is called by the Authority under Article 11 of this Agreement and for which the Management Agent is responsible by acts of omission or commission. Further, the Authority, as a third party beneficiary for such purpose, may require the Owner to terminate the Management Agreement, subject to the prior written approval of the First Lender, and the Management Agreement shall so provide (after notice and an opportunity to cure), in the event that the Management Agent fails without good cause to meet the Management Performance Standards (as defined below) agreed to by Owner and the Authority, as they may be amended from time to time, or to operate the Development in compliance with this Agreement and Public Housing Requirements, to the extent applicable.

(c) If Owner shall propose a Management Agent in writing, the Authority may disapprove such proposed Management Agent only in writing specifying the grounds for such disapproval, which grounds shall be for good cause ordinarily limited to: (a) insufficient prior experience in managing affordable multifamily rental housing; (b) demonstrated poor performance in managing affordable multifamily rental housing; or (c) having been debarred or otherwise held to have violated any law. Pending receipt by Owner of the Authority's written objections or disapproval as aforesaid, and a reasonable time thereafter (no less than sixty days) to correct any conditions forming the basis of the Authority's objections or disapproval or to propose an approvable Management Agent, Owner shall be entitled to manage the Development directly or through its chosen Management Agent so long as it shall do so in full compliance with the terms of this Agreement.

(d) The Management Plan shall be approved in writing by Owner, the Authority and HUD prior to its implementation and shall not be materially amended without the prior written approval of Owner, the Authority, and HUD.

(e) The Authority agrees that the initial Management Agent retained by Owner shall be The John Stewart Company, and has approved the Management Agreement entered into

between Owner and the Management Agent and the Management Plan proposed by the Management Agent.

(f) Management Performance Standards. Owner and the Authority are jointly committed to maintaining the highest standards of operations, maintenance and management at the Development in order that residents may have the best living experience. With regard to those factors evaluated on a site-specific basis under the Public Housing Assessment System ("PHAS") codified at 24 C.F.R. §902, or an equivalent score under any successor statute or regulation intended to evaluate the management or maintenance of public housing, Owner will make diligent efforts to achieve a "high performer" status. Notwithstanding the foregoing, Owner shall not be penalized for failure to achieve such status with respect to "unit turnover" standards under PHAS or its equivalent to the extent such failure is caused by delays in receiving referrals from the Authority under the interest list process described below.

3.5 Resident Selection and Assignment.

(a) The selection of applicants for admission to occupancy of the PHA-Assisted Units in the Development shall be the function of Owner, in accordance with the Admissions and Occupancy Policy of the Authority. Such selection shall be subject to the approval by the Authority of the selection and standards and policies to be applied to the PHA-Assisted Units, to the extent required by this Agreement or by Public Housing Requirements.

(b) The Authority agrees to request approval from HUD in the year 2003 for a site-based waiting list for the 138 PHA-Assisted Units in the Development, provided that Owner assists in obtaining HUD approval and assists in the public review process. If a site-based waiting list is not approved before lease-up activity begins with respect to the Development, the Authority instead will provide Owner with a list of "interested" applicants from the Authority's general waiting list for initial vacancies in the Development and will refer applicants to Owner for subsequent vacancies under mechanisms established by the parties in the Management Plan. The Owner will be responsible for applying the preferences and screening criteria in the Management Plan in selecting applicants from the interest list or from referrals, as applicable, and for income certification pursuant to Public Housing Requirements or other requirements.

(c) Former Residents of North Beach in good standing under their leases, as defined and implemented by the Authority in accordance with its policies, will have first preference for initial occupancy of vacant units and will not be subject to screening other than for continuing eligibility under Public Housing Requirements and Section 42 requirements. In addition: a) except with respect to the 5 PHA-Assisted Units which are not Tax Credit units, Owner will accept only applicants meeting the requirements of the Tax Credit Restrictive Covenant and Section 42; and b) to the extent the interest list process is employed, the Authority shall make diligent efforts to refer eligible applicants within the time set forth in the Management Plan.

(d) Owner, through the Management Agent, will be responsible for application intake, applicant interview and screening, verification procedures, determination of eligibility for admission and qualification for preference, record maintenance, unit assignment and execution of

leases, and all administrative functions in connection with the enforcement and termination of leases, all in accordance with criteria and procedures approved by the Authority. The Management Agent shall establish procedures, as set forth in the Management Plan, for informal review of eligibility or suitability determinations or denial of preferences for applicants for admission to the PHA-Assisted Units, consisting of an opportunity for a meeting with a person or persons designated by the Management Agent other than the person who made the initial determination.

3.6 Leases. Tenant leases executed with respect to PHA-Assisted Units ("PHA-Assisted Unit Leases") shall be on forms proposed by Owner and approved by the Authority and shall comply with (a) 24 C.F.R. Part 966, Subpart A, as amended or replaced from time to time, subject to any variations approved by HUD and (b) Tax Credit Requirements and any other regulatory requirements to which the Development is subject. Owner may charge as rent to the tenant of each PHA-Assisted Unit (and without regard to any subsidy paid by the Authority) the maximum rental amount permitted by Public Housing Requirements, but subject to a flat or ceiling rent established by Owner and the Authority equal to the maximum rent permitted under Tax Credit Requirements for each such unit, and subject as well to minimum rents established by the Authority. To the extent permitted by Public Housing Requirements, PHA-Assisted Unit Leases shall provide for increases in rental payments and other actions required from the PHA-Assisted Units under the circumstances contemplated in Section 6.4 and 6.5 hereof. An initial form of PHA-Assisted Unit Lease has been so reviewed, approved and adopted by the Authority.

3.7 Authority Determinations Not to Adversely Affect Owner.

(a) Nothing in this section shall limit the effect of Authority actions which are mandated by Public Housing Requirements or other applicable laws, regulations or policies.

(b) The parties recognize that if the Authority hereafter voluntarily adopts policies or procedures with respect to public housing residents generally which also apply to residents of the PHA-Assisted Units, such policies or procedures might have the effect of causing adverse financial or operational consequences to the Development, either directly or through adverse market effects. It is the intention of the parties, and the specific purpose of this section, that the Development continue to be operated essentially with the degree of difference from or adherence to the Authority's policies for its conventional properties, and with the adherence to private housing market standards, which are reflected in the initial operation of the Development and the initial policies agreed to by the parties, unless the parties should mutually agree otherwise. The following paragraphs are intended to implement this shared understanding and agreement.

(c) The Authority shall not voluntarily adopt particular policies, procedures or documents governing the PHA-Assisted Units which are distinct from those governing residents of the Authority's conventional public housing without the written agreement of Owner (including through this Agreement). If Owner and the Authority agree, in this Agreement or otherwise, that the Authority shall adopt or ratify particular policies, procedures or documents governing the PHA-Assisted Units which are distinct from those governing residents of the Authority's conventional public housing (with the approval of HUD, and which may include, without restriction, site-specific amendments to the Admissions and Occupancy Policy, the form

of PHA-Assisted Unit Lease and the grievance procedure), then the Authority shall do so and shall take no action to amend any such distinct policy, procedure or document governing the PHA-Assisted Units, once so adopted, without the written agreement of Owner and Investor; provided that the Owner and Investor shall not unreasonably withhold their consent; provided, further that Owner may withhold its consent if such amendments adversely affect the availability or timing of the low income housing tax credits available to the Owner and Investor.

(d) To the extent that it may legally do so, upon the written request of the Owner the Authority will exclude the PHA-Assisted Units from the effect of any policy or procedure it voluntarily adopts for any or all of its public housing units, applicants or residents generally if such policy or procedure shall have a material and adverse financial effect on the Development. Any such exclusion shall be deemed to apply continuously.

(e) If any policy or procedure which the Authority proposes to voluntarily adopt is of a type which is required (by law or by regulation which HUD declines to waive) to be applied consistently to every public housing unit and public housing applicant or resident under the jurisdiction of the Authority, then the Authority shall consult with Owner before adopting such policy or procedure and shall make reasonable efforts to avoid an adverse economic impact on the Owner or the tax credits available to Owner.

3.8 Waivers. If at any time during the term of this Agreement HUD shall, by regulation or other administrative rule applicable to the Development (which regulation or rule is not required by statute), modify the eligibility or suitability standards, including preferences, for occupancy of public housing units, the criteria or methods for calculation of applicant or resident income or contribution to rent, or any other factor bearing upon the charges for or occupancy or use of public housing units generally which, in the absence of waiver, would be applicable to the PHA-Assisted Units and which, in the reasonable judgment of Owner, would be materially adverse to the Development, the Authority shall, upon request by Owner supported by a statement of good cause, promptly submit to HUD a waiver request drafted by Owner and reasonably acceptable to the Authority which excepts the PHA-Assisted Units from the application of such regulation or administrative rule. The Authority shall diligently pursue the same, in cooperation with Owner, and any costs incurred by the Authority shall be reimbursed by Owner as a PHA-Assisted Units Expense.

3.9 Grievance Procedure. Owner, with Authority approval, will establish a grievance procedure for residents of the PHA-Assisted Units in compliance with the requirements of Section 6(k) of the Act and consistent, to the maximum extent feasible, with the intent stated in Section 3.2 above. Such procedure will provide for informal discussion and settlement of grievances by the Management Agent and/or Owner and hearing before a hearing officer appointed as detailed in the grievance procedure. The Authority will seek HUD approval of variations approved by the Authority from the requirements of 24 C.F.R. Part 966, Subpart B, as amended or replaced from time to time. An initial form of grievance procedure has been so reviewed, approved and adopted by the Authority.

3.10 Low Income Housing Tax Credit Requirements. The Authority acknowledges that 133 of the 138 PHA-Assisted Units are also subject to the Tax Credit Requirements and will be

operated in accordance therewith. The Authority will not disapprove (with respect to the PHA-Assisted Units) any policy of Owner that is permitted under Public Housing Requirements and required for compliance with the Tax Credit Requirements, nor shall the Authority impose upon Owner any policy or procedure with respect to the PHA-Assisted Units that is not required by Public Housing Requirements and that would cause noncompliance with the Tax Credit Requirements. Owner and the Authority will take such actions as are necessary to set ceiling rents or "flat rents" for the PHA-Assisted Units at a level not to exceed that permissible for qualified low-income units under the Tax Credit Requirements, and Owner will not collect rents for such units in excess of such levels.

3.11 Due Adoption; Public Housing Agency Plan. The Authority will ensure that, to the extent required, the material elements of this Agreement (including, but not restricted to, transformation remedies) are reflected in duly adopted policies of the Authority or duly adopted exceptions to such policies, effective no later than 120 days before units are first available for occupancy. The Authority will ensure that its Public Housing Agency Plan, prepared in accordance with Section 5A of the Act, as it may be amended during the term of this Agreement, includes such references to and provisions for the Development and its operations as may be necessary or appropriate to ensure that the provisions of this Agreement and the operating policies of the Development (including, but not restricted to, transformation remedies) are authorized by the Act and recognized by HUD. The Authority will provide to Owner (1) a copy of any proposed Public Housing Agency Plan, or amendment thereto, no later than the time public notice is given pursuant to Section 5A(f)(2) of the Act), and (2) a copy of its Public Housing Agency Plan and all amendments thereto, as adopted, within 30 days of approval by HUD, and shall make good faith efforts to provide earlier notice of contemplated changes to the Public Housing Agency Plan which would materially affect the Owner.

4. OPERATING ASSISTANCE.

4.1 Development-Specific ACC Amendment. The Authority has entered into a Mixed-Finance Amendment to its Annual Contributions Contract with HUD, which Mixed-Finance Amendment is specific to the Development (such amended Annual Contributions Contract, as it may be amended in the future, the "ACC"). Unless it is required by HUD, the Authority shall not initiate any material amendment to the Mixed Finance Amendment without the prior written consent of Owner, Investor, and the First Lender.

4.2 Operating Subsidy Requirement.

(a) It is the general intent of this Agreement that the Development receive the benefit of operating assistance provided by HUD to the Authority, which is properly attributable to and required by the PHA-Assisted Units, minus an agreed-upon amount to compensate the Authority for its actual and reasonable costs of asset management (the "Authority Oversight Fee"). The following provisions are intended to effectuate this intent, and the parties agree to amend or refine these provisions as may be required to more closely effectuate this intent.

(b) In any PHA Fiscal Year, the Operating Subsidy Requirement shall be equal to the lesser of the following three amounts:

(1) 91% of AEL (i) multiplied times the number of PHA-Assisted Units in the Development, (ii) multiplied by twelve, (iii) plus the amount of PHA-Assisted Utilities Expenses, as defined below, incurred in such year (iv) minus PHA-Assisted Units Rental Income; or

(2) 95% of Funded AEL, as defined below (i) multiplied times the number of PHA-Assisted Units in the Development, (ii) multiplied by twelve, (iii) plus the amount of PHA-Assisted Utilities Expenses, as defined below, incurred in such year (iv) minus PHA-Assisted Units Rental Income; or

(3) PHA-Assisted Units Expenses, (i) plus PHA-Assisted Utilities Expenses incurred in such year, (ii) minus PHA-Assisted Units Rental Income.

"Funded AEL" means the Authority's AEL minus the per-unit dollar amount of the Authority's operating subsidy entitlement which HUD does not fund in such year, as currently stated on line F-07 of Form 52723 (1/001). "PHA-Assisted Utilities Expenses" in any period is the total of actual expenses incurred during such period by the Development (and not by any tenant) for water, fuel oil, gas and electricity, multiplied by the Authority Percentage.

(c) Except for the initial year of operations, the Operating Subsidy Requirement for each PHA Fiscal Year shall be established prior to its commencement, using (unless the parties agree otherwise) the Owner's tenant data as of the date six months prior to the commencement of the PHA Fiscal Year to project PHA-Assisted Units Rental Income. The Operating Subsidy Requirement for the initial year shall be established using the assumption that tenant incomes equal 17% of area median income, which percentage is based on the approximate average income level of the residents of North Beach prior to initial relocation.

(d) If, during any PHA Fiscal Year, HUD adjusts or supplements the Operating Fund assistance it is providing the Authority, a commensurate adjustment or supplement (on a per unit basis) shall be made to the Operating Subsidy Requirement for the same year.

4.3 Operating Subsidy Payment.

(a) No later than the tenth business day of each month, in advance, the Authority shall pay by electronic wire transfer to Owner an Operating Subsidy Payment equal to one-twelfth of the Operating Subsidy Requirement, unless the Authority and Owner shall agree to other than equal monthly payments.

(b) Before transmitting the Operating Subsidy Payment, the Authority may deduct therefrom and pay itself one-twelfth of the Authority Oversight Fee for such year, which shall be no less than 5% of Funded AEL and no more than 9% of Funded AEL. The precise amount of the Authority Oversight Fee shall depend on the degree to which, if any, HUD underfunds AEL. If Funded AEL is less than AEL by an amount up to 4.25% of AEL, the

Authority Oversight Fee will be reduced commensurately with any such underfunding to an amount not less than 5% of Funded AEL. The parties acknowledge that if Funded AEL is less than AEL by an amount in excess of 4.25%, a PHA-Assisted Units Shortfall may occur, to offset which Owner may draw from the Affordability Reserve in accordance with Section 5.3(b). Should the Operating Subsidy Requirement be less than the Authority Oversight Fee, Owner shall pay to the Authority any unpaid balance of the Authority Oversight Fee due in such month, out of PHA-Assisted Units Rental Income, no later than the 20th day of such month, only to the extent that the PHA-Assisted Units Rental Income is sufficient to cover both the Authority Oversight Fee and PHA-Assisted Units Expenses.

(c) The Operating Subsidy Requirement and the Operating Subsidy Payment shall begin in the first month after EIOP the Authority receives HUD Operating Subsidy attributable to the Development or any portion thereof. The Authority and Owner will work diligently to see that such payments of HUD Operating Subsidy commence as soon as possible, including by seeking to establish sub-projects with HUD consent.

(d) During an initial period ("Initial Operating Period" or "IOP") commencing on the first day of the month in which the first PHA-Assisted Unit is occupied and ending at EIOP, SFHA shall sustain the operation of occupied PHA-Assisted Units from the Initial Operating Period Reserve ("IOP Reserve"). Prior to the move-in of the first household into a PHA-Assisted Unit, Owner shall provide the Authority with a lease-up schedule projecting the number of PHA-Assisted Units to be occupied during each month of the IOP. No later than the tenth business day of each month of the IOP, the Authority shall make a payment equal to one-twelfth of the Operating Subsidy Requirement prorated by a factor of projected end-of-month occupancy to total PHA-Assisted Units. Upon attainment of EIOP for all units in the Development, a reconciliation shall occur under the process outlined in Section 7.6, except that the term "IOP Reserve" shall be substituted for the term "Affordability Reserve" for purposes of this EIOP reconciliation. All funds remaining within the IOP Reserve following the EIOP reconciliation shall be retained by the Authority. Notwithstanding any other provision in this Section or Subsection, the maximum obligation of the Authority to provide subsidy during the IOP shall not exceed $200,000, which amount Owner shall cause to be deposited in the IOP Reserve from non-Authority funds on or before the commencement of the IOP.

4.4 HUD Documentation. Pursuant to a mutually agreed-upon schedule and formats, Owner shall provide to the Authority the information necessary to allow the Authority to timely complete all documentation required by HUD under the ACC with respect to requests for operating subsidy and other reporting matters and the Authority shall promptly submit such documentation to HUD and take any and all reasonable and necessary actions to obtain HUD approval thereof.

4.5 Future Changes.

(a) The parties recognize that Section 9(e) of the Act, as recently amended, provides for an Operating Fund to operate in lieu of the Performance Funding System, but that the operational parameters of the Operating Fund are not fully and finally developed as of the effective date of this Agreement. Upon HUD's further implementation of the Operating Fund, the

parties agree to amend this Article 4 if and as necessary so as to achieve as closely as possible the effect contemplated herein.

(b) In the event a tenant-based subsidy or any other replacement subsidy system is established in lieu of the current Operating Fund, such that the mechanism described in this Article 4 is fundamentally incompatible with the federal subsidy system, the Authority and Owner both shall use their most diligent efforts to secure the maximum subsidy available to support the Development, but not to the material detriment of the remaining units in the Authority's stock. Unless prohibited under Section 35(h), in the event the receipt of the maximum available subsidy under a replacement subsidy system shall result in a PHA-Assisted Units Shortfall for a period in excess of 30 days, Owner may exercise its rights under Sections 6.3, 6.4 and 6.5, of this Agreement.

4.6 Operating Account. Operating Subsidy Payments received from the Authority or funds in lieu thereof drawn from the Affordability Reserve as provided for herein, together with all other receipts in respect of the Development, including tenant rents and carrying charges and other revenues (but exclusive of tenant security deposits), shall be deposited by Owner in an operating account maintained in a financial institution permitted by HUD.

4.7 Public Housing Capital Fund. If capital assistance is available to the Authority under Section 9(d) of the Act or any successor thereto which the Authority may discretionarily provide to the Development, then the Authority agrees to give reasonable consideration to any request by Owner for such assistance, subject to Authority consideration of any detriment to other Authority-owned housing or the Authority's entitlement to other funds.

4.8 Other HUD Funds. If the PHA-Assisted Units are eligible for federal assistance other than under the Operating Fund or Capital Fund provided for in Section 9 of the Act or successors thereto (including, but not restricted to, funds for resident participation, resident services, drug elimination activities, or security), at Owner's request the Authority may endeavor, in its reasonable discretion, to obtain such assistance (separately or as part of a general Authority funding request) and shall pass through to Owner (or directly provide services representing) any portion thereof received and properly allocable (with due regard for need factors applicable to such assistance) to the PHA-Assisted Units, upon receipt from Owner of such plans, documentation or assurances as are necessary to comply with Public Housing Requirements relating to such assistance.

4.9 Section 42 Compliance. In order to assure compliance with Tax Credit Requirements, notwithstanding anything to the contrary set forth in this Agreement, in any Development Fiscal Year all or part of which is included in the compliance period as defined in Section 42 and in which Operating Subsidy Payments are made to Owner, the sum of PHA-Assisted Units Income and any net withdrawals from the Affordability Reserve for operating purposes shall not exceed the PHA-Assisted Units Expenses for such Development Fiscal Year. In the event that the annual financial statements required to be provided by Owner to the Authority pursuant to Section 7.6 below demonstrate that the above-described sum exceeded the PHA-Assisted Units Expenses for any year covered by the preceding sentence, then any portion

of the Operating Subsidy Payment causing such overage ("Excess Operating Subsidy") shall be promptly redeposited or repaid in accordance with Section 7.6.

4.10 Net Income Without Operating Subsidy. In order that the Authority not realize a reduction in its HUD Operating Subsidy which is not passed through to the Development as reduced subsidy or offset by an equivalent payment from the Development, the parties agree that if in any year the rental income of the PHA-Assisted Units is such that no operating subsidy is required and there is still net operating income attributable to the PHA-Assisted Units after payment of the Authority Oversight Fee ("Excess Tenant Payments"), then Owner will pay to the Authority annually, as additional rent under the Ground Lease, the amount of such Excess Tenant Payments (as demonstrated by, and following, the annual reconciliation process set forth in Section 7.6). This Section 4.10 shall not apply in the event of a foreclosure under the First Mortgage Loan or any conveyance by deed or other transfer in lieu or in connection with such foreclosure.

5. RESERVES.

5.1 Affordability Reserve; Establishment and Ownership.

(a) The parties shall establish, by way of deposits as and when provided herein, an escrow account designated as the Affordability Reserve in one or more financial institutions whose deposits are insured by an agency of the Federal government. Funds placed in the Affordability Reserve (including interest thereon and including any additional amounts deposited therein from time to time pursuant to the terms hereof) shall be invested, at the direction of the Authority, in Permitted Investments and shall constitute funds of the Authority to be held and applied during the term of this Agreement solely for the benefit of the PHA-Assisted Units in accordance with the terms and conditions hereof.

(b) The Affordability Reserve shall include three subaccounts, as follows:

i. The Initial Deposit (as defined below) shall be held in the "Initial Deposit Subaccount" and shall be the property of the Authority. In no event shall any funds constituting public housing funds, including "operating receipts" as defined in the ACC, be placed in the Initial Deposit Subaccount.

ii. Any amount deposited by the Owner or Authority into the Affordability Reserve as a Replenishment (as defined in Section 5.2(b)) shall be the property of the Authority, shall be held in the "Replenishment Subaccount", shall be used before any other funds in the Affordability Reserve, shall be used solely for uses which at the time of use may legally be funded with operating receipts as defined in the ACC, and shall be subject to Public Housing Requirements, if any, applicable to such funds.

iii. Any amount deposited by the Authority into the Affordability Reserve, which is not at the time identified as the Initial Deposit or a Replenishment, shall be held in the "Additional Deposits Subaccount." The Authority may deposit into the Additional Deposits Subaccount funds other than (a) funds of any public housing project of the Authority, (b) any operating receipts of the Authority (as the terms public housing project and operating receipts are defined in the ACC or any amendment thereto) or (c) any public housing operating reserve of the Authority reflected in the Authority's annual operating budget required under the ACC. Notwithstanding the foregoing, any excess fees contained in the Authority's Section 8 administrative fee reserve in accordance with 24 CFR §982.155 or successor regulation shall not be subject to any restriction contained in this paragraph, nor are any other assets of the Authority arising under any program not administered by HUD subject to this restriction. The Additional Deposits Subaccount shall remain property of the Authority, shall be used only when all other funds in the Affordability Reserve are expended, and shall be returned to the Authority if and when funds in the Affordability Reserve exceed the Affordability Reserve Ceiling Level, or upon liquidation of the Affordability Reserve as elsewhere provided herein.

iv. The identification of any subaccount named above as a "subaccount" is intended by the parties to be functionally descriptive, and each subaccount may be established as an independent bank account as and if proper banking practices dictate.

(c) Upon any sale or transfer of Owner's interest in the Development during the term of this Agreement, amounts remaining in such reserve shall continue to be available to maintain and preserve the long-term affordability of the PHA-Assisted Units, in accordance with this Agreement. Upon any sale or transfer of Owner's interest in the Development to the Authority or its designee pursuant to any option to purchase or right of first refusal, as it may be amended, the Affordability Reserve (excluding any Replenishment Subaccount as defined below, if required by then-applicable Public Housing Requirements) shall be available to such purchaser to fund payment for the Owner's interest. Notwithstanding the foregoing, if the First Loan will remain as an encumbrance on the Development following the Authority's acquisition of the Development, the Authority may only utilize the Affordability Reserve towards the purchase price of such acquisition as set forth in Section 5.8 below if: (i) the debt service coverage ratio on the First Mortgage Loan equals or exceeds 125% of the debt service that would theoretically result from increasing the principal balance of the First Mortgage Loan then outstanding by $975,000, amortized over the remaining life of the First Mortgage Loan at the same interest rate as the First Mortgage Loan; and (ii) Authority executes an amendment of the First Mortgage Loan requiring such ratio to be maintained for the term of the Loan.

5.2 Deposits.

(a) On the Final Date, as defined in the Ground Lease, the Authority shall deposit into the Affordability Reserve (from payments made to the Authority by Owner from tax credit equity) the total sum of $975,000 (the "Initial Deposit"); provided, however, that at no time shall the Authority be obligated to have deposited a greater sum than the amounts it shall previously have received in payment(s) from Owner relating to the Development. The Authority will make any deposits for which it is responsible within five (5) days of receipt of the funds from Owner which trigger the obligation to make a deposit. Owner may, at its election, arrange for any such payments due from Owner to the Authority to be deposited on the Authority's behalf into the Affordability Reserve.

(b) In the event Owner makes a withdrawal from the Affordability Reserve because the Authority has failed to make an Operating Subsidy Payment equal to the Operating Subsidy Requirement, and the Authority shall subsequently make such missed payment or any portion thereof, then the Owner shall deposit into the Affordability Reserve (Replenishment Subaccount), as a "Replenishment", the amount previously withdrawn (up to the amount of the Authority's late Operating Subsidy Payment).

(c) The Authority may, but is not required to, make additional deposits to the Additional Deposits Subaccount as provided in Section 5.4(c) or otherwise as may be permitted by Public Housing Requirements.

5.3 Withdrawals. Pursuant to the Affordability Reserve Escrow Agreement, the Affordability Reserve Escrow Agent shall disburse funds under any of the following circumstances:

(a) Non-Receipt of Operating Subsidy Requirement.

i. The Affordability Reserve Escrow Agent shall disburse funds to Owner upon receipt of a certification from Owner (a copy of which shall be sent to Authority and Investor) that by the tenth day of any month, the Authority shall not have paid to Owner an Operating Subsidy Payment equal to the full Operating Subsidy Requirement established for such month. Owner may withdraw from the Affordability Reserve the difference between the Operating Subsidy Payment actually paid and the full Operating Subsidy Requirement established for such month. Owner's receipt of disbursements from the Affordability Reserve under this paragraph shall not release the Authority from its obligation to pay the Operating Subsidy Requirement. Owner may make withdrawals under this paragraph as often as monthly or may, in its discretion, cumulate requests for multiple months; or

(b) Deficit Attributable to PHA-Assisted Units. In the event that a Quarterly Report prepared in accordance with section 7.2 demonstrates the existence of a PHA-Assisted

Units Shortfall in a prior quarter, then the Owner may request a withdrawal from the Affordability Reserve in an amount up to such PHA-Assisted Units Shortfall, but in any event not to exceed the difference between the Operating Subsidy Payment paid in such quarter and the Operating Subsidy Target for such quarter. The Operating Subsidy Target for any period is defined as what the Operating Subsidy Requirement would be for the same period pursuant to Section 4.2 if Funded AEL were equal to AEL in such period (that is, if HUD were to fully fund its Operating Fund obligation in such year) and the Authority's AEL in such year were deemed to be the greater of (i) actual AEL or (ii) the Authority's AEL for FY 2002 increased by any subsequent cumulative increase in the CPI. The Authority shall approve such request unless it reasonably contests the entitlement in writing within three (3) business days after the request therfor, in which case all amounts not in dispute shall be approved and the parties shall negotiate in good faith to resolve the disputed amount.

(c) By Consent. The Affordability Reserve Escrow Agent shall disburse funds to Owner or the Authority upon receipt of, and in accordance with, joint instructions from Owner and the Authority, which might (by way of illustration and not limitation) recognize the need for subsidy in excess of the Operating Subsidy Requirements due to emergency costs not due to mismanagement, subject to the approval of the First Lender. The Authority shall not unreasonably withhold its joinder in any such instruction and shall join in such instruction where Owner requires funds for emergency conditions in the PHA-Assisted Units (including funds for the prompt reimbursement of emergency expenditures by Owner or the Management Agent, if any). Emergency conditions include unexpected significant increases in Development operating expenses beyond the control of the Management Agent or Owner, such as, for example, insurance premiums significantly exceeding the amounts originally budgeted for the Development (as reflected in the closing pro forma and adjusted for inflation at the rate(s) shown in the closing proforma).

5.4 Floor and Ceiling Levels.

(a) The term "Affordability Reserve Floor Level," for any Development Fiscal Year, means an amount equal to $325,000. The term "Affordability Reserve Ceiling Level" means the Initial Deposit of $975,000, increased by 5% per annum.

(b) If at any time Owner shall in writing notify the Authority that the balance of the Affordability Reserve is below the Affordability Reserve Floor Level, whether due to adjustments in such level or disbursements from the Affordability Reserve (the deficit amount being referred to herein as a "Reserve Shortfall"), the Authority, at its sole discretion, may deposit into the Affordability Reserve (from funds legally available for such purpose) the amount of the Reserve Shortfall. If Authority shall fail to make such deposit and the other conditions set forth in Article 6 are met, Owner's sole and exclusive remedy shall be the right to institute the remedial steps described in Article 6 of this Agreement, to the extent permitted by Public Housing Requirements and this Agreement.

(c) If at any time the balance in the Affordability Reserve shall exceed the Affordability Reserve Ceiling Level, the Authority may withdraw such excess and use it for

Authority purposes consistent with any Public Housing Requirements applying to the funds based on their origin.

5.5 Audit. Authority shall be entitled to audit the records of Owner annually and any disbursements received by Owner from the Affordability Reserve in excess of the amount that Owner was entitled to receive under this Agreement, or that were used by Owner for purposes other than those permitted by this Agreement, shall be refunded by Owner to the appropriate account within the Affordability Reserve upon demand by Authority together with interest since the date of improper withdrawal or use at the rate earned by funds in such account during that same period.

5.6 Replacement Reserve (PHA-Assisted).

(a) Establishment. Owner shall deposit funds annually, chargeable as a PHA-Assisted Units Expense, into a replacement reserve account ("Replacement Reserve (PHA-Assisted)"), up to the amount (on a per-unit basis) which is no less than $350 per year. Such amount shall be deposited on an annual basis no later than the time audited financial statements are to be provided by Owner to Authority in accordance with Section 7.4 hereof.

(b) Dedicated Use. Funds placed in the Replacement Reserve (PHA-Assisted) (including interest thereon and including any additional amounts deposited therein from time to time pursuant to the terms hereof) shall be invested by the Owner in Permitted Investments and shall thereafter constitute restricted trust funds to be applied during the term of this Agreement solely for the benefit of the PHA-Assisted Units in accordance with the terms and conditions hereof. Upon any sale or transfer of Owner's interest in the Development during the term of this Agreement, amounts remaining in the Replacement Reserve (PHA-Assisted) shall continue to be available to assist the PHA-Assisted Units, in accordance with this Agreement.

(c) Conditions of Use.

i. The Replacement Reserve (PHA-Assisted) may be used by Owner solely for repair, replacement or modernization of the PHA-Assisted Units, unless otherwise approved by the Authority.

ii. Owner may expend funds in the Replacement Reserve (PHA-Assisted) for that portion of the Development's capital needs which is attributable to the PHA-Assisted Units based on the Authority Percentage or as the parties otherwise agree is appropriate under the circumstances, but in any event in accordance with Public Housing Requirements. Any withdrawal from the Replacement Reserve (PHA-Assisted) shall be subject to the approval of the Authority pursuant to Section 13.3 hereof.

iii. Together with its annual operating budget, Owner shall provide the Authority annually with a capital replacement plan showing, at a

minimum, scheduled expenditures from replacement reserves for the next five Development Fiscal Year(s).

5.7 Other Reserves. In addition to the Affordability Reserve and the Replacement Reserve (PHA-Assisted) , Owner may establish such reserves for the Development as a whole as may be required by TCAC, any Approved Mortgage Lender and the Investor or as the Authority otherwise approves. The Authority approves of any reserves shown on exhibit F to the ACC Mixed-Finance Amendment and acknowledges that such reserves shall be not be under Authority control. Any funds from HUD sources that are subject to Public Housing Requirements and that are used to replenish any other reserves will be tracked or segregated to ensure such funds are not expended for ineligible uses under Public Housing Requirements.

5.8 Disposition. Upon any transfer of Owner's interest in the Development to the Authority or its affiliate, the Affordability Reserve unless used by the Authority for acquisition of the Development shall remain the property of the Authority and the Replacement Reserve (PHA-Assisted) and any other reserves established pursuant to Section 5.7 shall be transferred along with the Development to the Authority or its affiliate and included in the purchase price for the Development without additional cost. Such reserves shall be transferred to any other approved purchaser if the Authority does not exercise its Option or Right of First Refusal to purchase the Development.

6. PRESERVATION AND TRANSFORMATION OF PHA-ASSISTED UNITS.

6.1 General. The parties recognize that they are structuring a long-term relationship premised on, among other things, the continuation without substantial change of the Act and the maintenance of full federal appropriations to support the government's obligations under the Act. The purpose of this Article is to ensure that in the event there should be any legislative changes, diminished appropriations, uncontrollable cost increases, or other circumstances not the fault of Owner which create an imbalance of income and expenses attributable to the PHA-Assisted Units, the viability of the Development can be maintained without unnecessary hardship to low-income residents or excessive claim on scarce resources of the Authority.

6.2 No Contribution. It is of the essence of this Agreement that during the term hereof, Owner will maintain and operate the PHA-Assisted Units in accordance with Public Housing Requirements that the Authority will fund the Operating Subsidy Requirement, as provided herein. It is the intent of this Agreement that Owner's obligation shall be satisfied with income of the Development, including Operating Subsidy Payments, to the extent provided in this Agreement, plus any funds in the Affordability Reserve. Owner shall not be expected to contribute, from its own funds not derived from the Development, toward PHA-Assisted Units Expenses in order to preserve the PHA-Assisted Units as required hereunder.

6.3 Initial Remedies. Owner shall continue to maintain and operate the PHA-Assisted Units as required hereunder; provided, however, that if (a) at any time Owner gives the Authority written notice that the balance in the Affordability Reserve has fallen below Floor Level and the Authority declines to make such voluntary contributions to the Affordability Reserve in accordance with Section 5.4(c) as will bring the Affordability Reserve above the Floor Level; and

(b) the Quarterly Reports delivered pursuant to Section 7.2 shall indicate a PHA-Assisted Units Shortfall due to HUD underfunding of AEL over a period of two prior successive quarterly periods, and Owner reasonably forecasts that such PHA-Assisted Units Shortfall will continue for the next two quarterly periods, then Owner may avail itself of the following provisions of Paragraph (a) below.

(a) Cost Cutting Plan. Owner shall undertake in good faith to reduce Development Operating Expenses (but not to the physical or financial detriment of the Development). However, Owner shall not be required to seek to reduce maintenance, repairs, replacements or other Development Operating Expenses below a prudent level as a condition to, or as a preferred corrective action to, seeking to increase income from tenant rents in accordance with the following paragraphs, nor shall Owner be required to reduce the management fee below market levels, to reduce resident services expenditures below that required to support the resident population, to reduce services and amenities below that required to competitively market to, and retain, residents; or to act in a manner which would violate Tax Credit Requirements or any other regulatory or financing agreement by which Owner is bound.

(b) Intentionally omitted.

6.4 Intermediate Remedies.

(a) Cross-subsidization. If after Owner shall have undertaken the initial remedies set forth in Section 6.3, the conditions set forth in the notice described in Section 6.3 persist, then with respect to residual receipts cash payable from the Development, as such term is defined in the Ground Lease ("Surplus Cash"), Authority shall make its share of Surplus Cash, as set forth in the Ground Lease available to offset the PHA-Assisted Units Shortfall. If such amount shall not be sufficient to offset such shortfall over the period projected in the notice, Owner, with respect to Surplus Cash permitted to be retained by Owner under the Ground Lease and the MOH Loan, shall make its share of Surplus Cash available to offset such shortfall.

(b) Adjust Income Mix on Turnover. If the cross-subsidization remedies set forth in Section 6.4(a) shall not be sufficient to offset the PHA-Assisted Units Shortfall, Owner and the Authority shall take such steps as may be necessary and in accordance with Public Housing Requirements and Tax Credit Requirements to increase the income and rental level of new tenants admitted to the PHA-Assisted Units including admitting public housing eligible families having higher income levels than would otherwise receive priority under the system of preferences used by the Authority and/or applicable to the Development.

(c) Cooperation of the Authority. In order to facilitate the rental of units in the Development to public housing eligible families having higher income levels as provided in the preceding paragraph, the Authority will offer conventional public housing units or Section 8 vouchers or certificates, as applicable and to the extent available to the Authority, to sufficient tenants in the PHA-Assisted Units in the Development so as to encourage lower-income tenants to vacate the Development in favor of higher income public housing eligible families. This preference shall be reflected in the Authority's Section 8 program plan.

6.5 Transformation. In the further event that at least six months after the notice given pursuant to Section 6.3, the foregoing initial and intermediate remedies by Owner and the Authority are insufficient to eliminate the PHA-Assisted Units Shortfall on an ongoing basis, or if Owner and the Authority agree at any time that more focused measures are necessary in order to preserve the PHA-Assisted Units, then subject to section 6.6, Owner may take all further actions necessary to eliminate the PHA-Assisted Units Shortfall including, without limitation, requiring increases in rental payments from low-income tenants so that income from the PHA-Assisted Units in the aggregate, plus all such public assistance as aforesaid, shall be not less than (but not substantially more than) PHA-Assisted Units Expenses; provided, however, that any such actions must be consistent with Public Housing Requirements (including Section 35(h) of the Act), and with Tax Credit Requirements. Such actions may include disregarding the income targeting provisions of Section 2.3 of this Agreement and amending the Management Plan.

6.6 Preservation and Transformation Plan.

(a) Before Owner may exercise its rights under Section 6.5 hereof, Owner shall develop and submit to the Authority for its consideration a Preservation and Transformation Plan ("Owner's Plan") which satisfies Public Housing Requirements and sets forth in detail the nature and priority of different remedial actions to be taken, the rights of existing tenants affected thereby, and other relevant matters. Such plan must be reasonably likely to eliminate any PHA-Assisted Units Shortfall while maximizing the availability of PHA-Assisted Units for low-income and very-low income families and minimizing the adverse effects on existing tenants. The parties recognize that this is a complex balance involving a choice between, for instance, greater change affecting fewer units or a smaller change affecting many units.

(b) Owner and the Authority shall make diligent efforts in good faith to agree upon a Preservation and Transformation Plan, after notice to and appropriate consultation with residents of the PHA-Assisted Units. If they shall fail to agree to Owner's Plan prior to Owner being entitled to exercise remedies in accordance with Section 6.5 or within sixty (60) days of Owner proposing such a Plan (whichever is later), Owner may proceed to implement its Plan. However, if the Authority shall pay into the Affordability Reserve or otherwise make available additional contributions sufficient (based on current income/expense data) to fund PHA-Assisted Units Shortfalls for at least 12 months, then Owner shall be obliged to follow the Preservation and Transformation Plan of the Authority ("Authority's Plan) until either the Plan accomplishes its goals and can be terminated, or the replenishment amount deposited in the Affordability Reserve falls below the lower of (1) the Floor Level, as applicable; or (2) the amount it contained at the initiation of the Authority's Plan, in which case Owner may institute its own Plan. All such plans shall be specifically subject to HUD's approval to the extent required by Public Housing Requirements, and the Owner and Authority agree that in the event of a conflict between transformation plan remedies or procedures and Section 35(h), the latter requirements shall control.

(c) Any Preservation and Transformation Plan will provide as follows, in addition to any provisions required by (and to the extent not inconsistent with) Public Housing Requirements:

i. Revisions in the rent structure may require some households to pay more than 30% of their adjusted household income and/or may impose a higher minimum rent applicable to all households, but not in excess of the Tax Credit Requirements. Owner shall give the Authority and each affected household at the Development written notice of the new rent structure, which shall be effective no sooner than 30 days following such notice.

ii. To the extent that the Authority is reasonably able to provide substitute housing (Section 8 or public housing) to households which fail to pay the rent which Owner has specified for such household's adjusted gross income, the Authority shall offer such substitute housing. If and as permitted by Public Housing Requirements, after diligent application by the Authority to HUD, the Authority will provide Section 8 certificates (to the extent available) in order to help households to remain at the Development while paying the higher rents required by the Transformation and Preservation Plan.

iii. All expenses to be incurred in relocating residents shall be provided for in the Plan, as a PHA-Assisted Units Expense.

6.7 Restoration of Units. If, subsequent to institution of remedial steps described in Sections 6.3 through 6.5 above, the Operating Subsidy Payment, the resources provided hereunder, and any other resources made available shall support operation on a continuing basis of all or a portion of the number of PHA-Assisted Units in the manner they were operated prior to such action (and shall have restored the Affordability Reserve to at least the Floor Level), the obligation of Owner to so operate such number of units as public housing in accordance with the terms hereof shall be reinstated, subject to continuing rights of existing tenants.

6.8 Inability to Fulfill Obligations. If Owner meets the conditions prerequisite to exercising the remedies set forth in Section 6.5, the Authority shall be deemed unable to fulfill its contractual obligations solely for purposes of Section 35(h) of the Act or any successor.

6.9 First Right of Return. Households in good standing that are forced to vacate units in the Development because of Owner's exercise of any of the remedies provided herein shall have a right of first return if the obligations of Owner are reinstated pursuant to the foregoing Section 6.6, subject to such households' continuing eligibility for public housing and satisfaction of then-applicable resident selection criteria and continued eligibility under the Tax Credit Requirements.

6.10 Subsequent Laws. Subject to Section 4.5 hereof, nothing contained herein shall prevent or diminish the full application to PHA-Assisted Units of any legislation enacted after the date hereof which provides for the termination of operating subsidies under Section 9 of the Act, including, without limitation, any provision thereof releasing or otherwise modifying occupancy or tenant rent restrictions previously applicable to units in such developments.

6.11 Good Faith. The parties agree to act in good faith and cooperate with each other to find strategies to ensure the continued viability of the Development if changes occur with respect to the Operating Fund beyond the changes contemplated in this Agreement.

6.12 Notice to First Lender. Owner and the Authority hereby agree that any and all notices, Quarterly Reports and other items to be delivered and submitted as between Owner and the Authority pursuant to this Article 6 will be concurrently delivered to the First Lender at the address and in the manner set forth in Section 13.4 below.

In addition, Owner and the Authority agree as follows:

(a) a copy of any cost cutting plan undertaken by Owner pursuant to Section 6.3 (a) above shall be submitted to the First Lender for review at least thirty (30) days before implementation;

(b) unless otherwise prohibited by Section 35(h), any Preservation and Transformation Plan adopted by the Owner and the Authority pursuant to Section 6.6 above shall be subject to the prior written consent and approval of the First Lender, which consent and approval shall be granted if there is no outstanding event of default under the First Loan and the Owner demonstrates to the First Lender's reasonable satisfaction that the measures set forth in the proposed Preservation and Transformation Plan will prevent an event of default under Section 6.1.16 of that certain Loan and Construction Agreement entered into by and between the Owner and the First Lender; and,

(c) unless prohibited by Section 35(h), any remedy or plan regarding the operations of the PHA Assisted Units agreed to by and between the Owner and the Authority that is intended to address an imbalance of income and expenses attributable to the PHA Assisted Units and that is outside the scope of the remedies set forth in this Article 6 shall be subject to the prior written consent and approval of the First Lender, which consent and approval shall be granted if there is no outstanding event of default under the First Loan and the Owner demonstrates to the First Lender's reasonable satisfaction that the measures set forth in the proposed remedy or plan will prevent an event of default under Section 6.1.16 of that certain Loan and Construction Agreement entered into by and between the Owner and the First Lender.

7. FINANCIAL STATEMENTS AND REPORTS; ANNUAL RECONCILIATION.

7.1 Accounting System. Owner will maintain a system of accounting established and administered in accordance with sound business practices and Public Housing Requirements.

7.2 Quarterly Report. As soon as available, but not later than forty-five (45) days from the end of each fiscal quarter other than the final quarter of each fiscal year, Owner shall submit to the Authority a Quarterly Report, commencing on the first quarter in which any of the units are

occupied. The Quarterly Report shall consist of all narratives, reports and statements provided to the general and limited partners of Owner and will include, at a minimum, a balance sheet, an income statement, and a narrative summary describing any significant financial activity which is not captured in the balance sheet and income statement. The Quarterly Report shall also include a current rent roll identifying all PHA-Assisted Units and a statement reflecting the then current balance of the Affordability Reserve and all deposits to or withdrawals from each of such accounts during such fiscal quarter.

7.3 Annual Statement of Income and Expenses. As soon as available, but not later than 90 days after the end of each PHA Fiscal Year, commencing with the year in which occupancy of the Development first occurs, Owner shall deliver to the Authority, separately (if required to comply with Public Housing Requirements) with respect to the PHA-Assisted Units and the Development as a whole, itemized statements of income and expenses, prepared on an accrual basis, in form substantially comparable to Form HUD-52599 (Statement of Operating Receipts and Expenditures) certified by an officer of the general partner of Owner, from the beginning of the PHA Fiscal Year to the end of such PHA Fiscal Year.

7.4 Annual Audited Financial Statements. Not later than 120 days after the end of each Development Fiscal Year (180 days in the case of the first Development Fiscal Year), Owner shall deliver to the Authority and, on behalf of the Authority, to HUD, a copy of the audited financial statements of Owner for such year prepared in accordance with accounting principles generally used for partnerships operating Section 42 housing developments and accompanied by the report of independent certified public accountants thereon, together with a copy of any additional financial statements or reports delivered by Owner to its general and limited partners. In the event the Owner should be other than a single-asset entity (with the Authority's approval), audited statements may be restricted to Owner accounts relating to the Development.

7.5 Supplemental Data. The financial statements described in Section 7.4 shall be accompanied by supplemental data which shall show on an accrual basis for such period (i) PHA-Assisted Units Rental Income, (ii) PHA-Assisted Units Expenses, (iii) Operating Subsidy Payments, (iv) any withdrawals from the Affordability Reserve and any other operating revenues or assistance attributable to the PHA-Assisted Units, (v) the balance at the end of the period of the Affordability Reserve and any other reserve or special account relating specifically to the PHA-Assisted Units; (vi) aggregate stated lease rents and the amounts thereof uncollected from PHA-Assisted Units for which no eviction actions have been commenced, and (vii) deposits to and withdrawals from the replacement reserve, together with a summary of all capital expenditures made. If Owner shall fail to deliver such financial statements to the Authority, the Authority shall have the right to retain an independent auditor to conduct an audit of the financial statements of Owner and to charge the reasonable cost thereof to Owner.

7.6 Annual Reconciliation.

(a) If the supplemental data provided pursuant to Section 7.5 above shall show that the sum of the amounts described in clauses (i) (actual PHA-Assisted Units Rental Income), (iii) (Operating Subsidy Payments) and (iv) (withdrawals from the Affordability Reserve, and any other operating revenues or assistance attributable to the PHA-Assisted Units) shall exceed the

amount described in clause (ii) thereof (actual PHA-Assisted Units Expenses) then not later than ten (10) days following delivery of such supplemental data to the Authority, Owner shall redeposit to the Affordability Reserve amounts withdrawn in the subject year up to the amount of any excess shown in the foregoing annual reconciliation, with the remainder being paid to the Authority.

(b) If the supplemental data provided pursuant to Section 7.5 above shall show that the sum of the amounts described in clauses (i) (actual PHA-Assisted Units Rental Income), (iii) (Operating Subsidy Payments), and (iv) (withdrawals from the Affordability Reserve, and any other operating revenues or assistance attributable to the PHA-Assisted Units) shall be less than the amount described in clause (ii) thereof (actual PHA-Assisted Units Expenses), the Owner may withdraw any deficit amount from the Affordability Reserve to the extent permitted by section 5.3(b).

(c) Separately and independently from the reconciliation provided for under Section 7.6 above, the Owner shall pay to the Authority, not later than 145 days after the end of each Development Fiscal Year, the amount, if any, of Operating Subsidy Payments (including therein any amount withdrawn by the Owner in respect of such period pursuant to the last sentence of Section 7.6 above) received by Owner during such period attributable to any PHA-Assisted Unit for a period in which such PHA-Assisted Unit was vacant (after having been initially occupied) for a period longer than 60 days.

(d) A PHA-Assisted Unit shall be deemed vacant (i) commencing on the first day for which rent is not charged for the unit following termination or expiration of its occupancy as an PHA-Assisted Unit, and (ii) ending on the day preceding the first day for which rent is charged for such unit based on re-occupancy as a PHA-Assisted Unit, or the first day for which rent is charged for occupancy as an PHA-Assisted Unit of a different unit which was not previously occupied as a PHA-Assisted Unit, whichever shall first occur; and

(e) The amount of Operating Subsidy Payment attributable to a unit for a period in which such unit was vacant for a period longer than 60 days shall be determined by multiplying the total of Operating Subsidy Payments received by Owner in respect of such year as reported pursuant to Section 7.3 above, multiplied by the product of (A) the net rentable square feet of such unit, divided by the net rentable square feet of all PHA-Assisted Units in the Development, multiplied by (B) the number of days beyond the 60th day after such unit became vacant during which such unit remained vacant, divided by 365.

7.7 Maintenance of Records. It shall remain the responsibility of the Authority to maintain sufficient records and to take necessary action to assure HUD that all the Authority obligations to HUD under Public Housing Requirements are fulfilled. Where the ACC or other Public Housing Requirements, including PHAS, require the Authority to furnish reports, records, statements, certificates, documents or other information to HUD, or otherwise deal with HUD, Owner shall furnish such reports, records, statements certificates, documents or other information to the Authority and shall provide all other information reasonably requested by the Authority. Nothing contained in this Section shall be construed to relieve Owner of its obligation to maintain its own books and records.

7.8 Copies to First Lender. Owner shall provide the First Lender with a copy of all financial statements, reports, reconciliations and other material documents submitted to the Authority under this Article 7.

7.9 Access to Records. Upon reasonable notice and during regular business hours, both the Authority and HUD shall have access to all project books and records maintained by the Owner/and/or the Management Agent.

8. NON-DISCRIMINATION AND OTHER FEDERAL REQUIREMENTS. Owner will comply with all applicable requirements of the following, as the same may be amended from time to time:

8.1 The Fair Housing Act, 42 U.S.C. 3601-19, and regulations issued thereunder, 24 C.F.R. Part 100; Executive Order 11063 (Equal Opportunity in Housing) and regulations issued thereunder, 24 C.F.R. Part 107; the fair housing poster regulations, 24 C.F.R. Part 110, and advertising guidelines, 24 C.F.R. Part 109.

8.2 Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d, and regulations issued thereunder relating to nondiscrimination in housing, 24 C.F.R. Part 1.

8.3 Age Discrimination Act of 1975, 42 U.S.C. 6101-07, and regulations issued thereunder, 24 C.F.R. Part 146.

8.4 Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. 794, and regulations issued thereunder, 24 C.F.R. Part 8; the Americans with Disabilities Act, 42 U.S.C. 12181-89, and regulations issued thereunder, 28 C.F.R. Part 36.

8.5 Section 3 of the Housing and Urban Development Act of 1968, 12 U.S.C. 1701u, and its implementing regulations of 24 C.F.R. Part 135.

9. INSURANCE REQUIREMENTS; RESTORATION OF PROPERTY.

9.1 Owner shall comply with all requirements of Part B, Attachment VII of the ACC and shall procure and maintain in force adequate insurance to protect Owner and the Authority from financial loss resulting from hazards, including, without limitation, hazards insured against under such types of coverages as are required by Part B, Attachment VII, of the ACC, or if

stricter, such coverages and in such amounts as may be required by any lender (including, without limitation, the Authority as lender under the Authority Mortgage Loan), and such other hazards to which Owner determines that exposure exists. Without limiting the generality of the foregoing, Owner shall maintain all risk-insurance with respect to all insurable property pertaining to the Development, against loss or damage by fire, lightning, windstorm, explosion, hail, tornado and such other hazards as are presently included in so-called "all-risk" coverage, in an amount not less than 100% of the full replacement cost, including the cost of debris removal, without deduction for depreciation and sufficient to prevent Owner from being a co-insurer, such insurance to be in builder's risk (non-reporting) form during and with respect to any construction on the Development Site.

9.2 If any act or occurrence of any kind or nature (including any taking by condemnation or any casualty) shall result in damage to or loss or destruction of the Development, in whole or in part, and subject to any obligation of Owner in respect thereof under the Approved Mortgage Loans, Owner, to the extent that insurance proceeds or condemnation proceeds and other funds, if any, made available by Owner or by the Authority (including, without limitation, by further advance pursuant to the Approved Mortgage Loans) permit, shall promptly cause the restoration, reconstruction, and/or repair of the Development as nearly as possible to its value, condition and character immediately prior to such taking or casualty. The Approved Mortgage Loan documents shall contain provisions requiring restoration consistent with the foregoing if such restoration shall be determined feasible. If such condemnation or insurance proceeds and other available funds are not sufficient or restoration is otherwise determined in accordance with the Approved Mortgage Loan documents to be not feasible, such proceeds shall be applied as provided in the Approved Mortgage Loan documents and the number of units (and bedroom count) in the Development remaining following such taking or casualty (and following any construction, reconstruction or repair undertaken by reason thereof or necessitated thereby) which shall be PHA-Assisted Units shall be determined in accordance with Section 10 of the Mixed-Finance Amendment.

In the event of any conflict between this Section 9 and Section 10 of the Mixed Finance Amendment to the ACC, the latter section shall control.

10. DISPOSITION AND ENCUMBRANCE.

10.1 No Demolition or Disposition. During the term of this Agreement and during such further period when such approval may be required by law as then in effect, and subject to the terms of Sections 10.3 and 10.4 hereof, Owner shall not demolish the PHA-Assisted Units nor dispose of its interest in the PHA-Assisted Units (including, without limitation, by conveyance or lease of the Development or any portion thereof, or by assignment of Owner's rights under this Agreement), without the prior written approval of the Authority and HUD.

10.2 No Encumbrances. During the term of this Agreement, and subject to the terms of Sections 10.3 and 10.4 hereof, Owner shall not mortgage, pledge, or otherwise encumber its interest in the PHA-Assisted Units or in the Development, without the prior written approval of the Authority and HUD.

10.3 Exclusions. The following actions are expressly excluded from the covenants set forth in Sections 10.1 and 10.2 hereof:

(a) Mortgage of Owner's interest in the Development Site and the Development pursuant to the Authority Mortgage Loan and any Approved Mortgage Loans, and transfer of the Development Site or the Development to the mortgagee under any of such mortgage loans, by foreclosure or deed-in-lieu of foreclosure (or the leasehold equivalent thereof), or to a third-party purchaser pursuant to a foreclosure sale (or the leasehold equivalent thereof), and subsequent transfers by the mortgagee or such third-party purchaser, provided that any such transfer shall be subject to the terms of the Declaration of Trust.

(b) Conveyance or dedication of land for use as streets, alleys, or other public rights-of-way, and grants and easements for the establishment, operation, and maintenance of utility services.

(c) Leases of dwelling units in accordance (with respect to PHA-Assisted Units) with section 3.6.

(d) Normal uses and encumbrances associated with the operation of the Development or arising by operation of law.

(e) Execution and recordation of the Tax Credit Restrictive Covenant or other covenants, conditions or restrictions pursuant to Tax Credit Requirements.

10.4 Transfers of Interests.

(a) No transfer, conveyance, or assignment shall be made, without the approval of both the Authority and HUD, of (i) any interest of a general partner, managing member or controlling stockholder (any such interest being referred to as a "Controlling Interest") in Owner, or (ii) a Controlling Interest in any entity which has a Controlling Interest in Owner, or (iii) prior to payment in full of all equity contributions described in the evidentiary documents approved by HUD under the Mixed-Finance Amendment, any other interest in Owner, or in any partner or member thereof. The Authority and HUD agree that they will not unreasonably withhold, delay, or condition a request by Owner for consent to an internal reorganization of the corporate or partnership structure of Owner or any of the partners, members, or stockholders of Owner.

(b) Notwithstanding the foregoing, HUD and the Authority agree that they shall not unreasonably withhold their respective approval of the exercise by the Investor or its affiliates of its rights to remove the general partner and to designate a substitute general partner of Owner under the terms of said Partnership Agreement (the "Removal Right").

(c) Notwithstanding the foregoing, neither the Authority nor HUD will unreasonably withhold its consent to the designation, by a holder of and pursuant to a security interest approved by HUD under the terms of the Mixed Finance ACC Amendment, of a substitute general partner of Owner.

(d) Notwithstanding any other provision herein, the consent of neither HUD nor the Authority shall be required where a business organization that constitutes a limited interest (non-controlling and non-managing) in the Owner transfers (i) the interest of a general partner or managing member to an affiliate of Related Capital Company, or (ii) a non-controlling and non-managing interest in the business organization, provided that the Owner: (x) provides HUD with written notice of such transfer; and (y) certifies to HUD that the owner of the limited interest in Owner remains obligated to fund its equity contribution in accordance with terms of the HUD-approved organizational documents of the Owner.

10.4.1 Rights of First Lender. The Owner and the Authority hereby acknowledge and agree to the following:

(a) that the First Lender is providing construction and permanent financing (the "First Loan") to the Development;

(b) that the documentation evidencing and securing the First Loan will grant to the First Lender the right to seek a court ordered receiver ("Receiver") to operate the Development during the pendency of a default by the Owner under the First Loan;

(c) that the Authority will advance directly to any Receiver all Operating Subsidy Payments that are otherwise required to be advanced to the Owner to the extent that (i) the Receiver shall apply such Operating Subsidy Payments towards the payment of PHA-Assisted Units Expenses, and (ii) the Receiver otherwise complies with the terms and provisions of this Agreement;

(d) that a Receiver shall have the right to receive disbursement of funds from the Affordability Reserve to the extent that (i) the conditions exist that would otherwise entitle Owner to receive such disbursements, as set forth in Section 5.3 above, (ii) the Receiver shall apply all such disbursements towards the payment of PHA-Assisted Units Expenses and (iii) the Receiver otherwise complies with the terms and provisions of this Agreement; and,

(e) that upon any foreclosure under the First Loan, or any conveyance by deed or other transfer in lieu or in connection with such foreclosure, the First Lender or any acquiring party, and their respective successors and assigns, shall succeed to the status of the "Owner" under this Agreement and, as such, shall be entitled to the rights and benefits under this Agreement which inure to the PHA-Assisted Units, including, without limitation, the right to receive the Operating Subsidy Payments and to receive disbursements from the Affordability Reserve.

11. DEFAULT AND REMEDIES.

11.1 Default. An Event of Default by either party under this Agreement shall occur if that party materially violates, breaches, or fails to comply with any provision of, or obligation

under, this Agreement (including, without limitation, by reason of its violation, breach, or failure to comply with Public Housing Requirements) and such party fails to cure such breach within the cure periods set forth below.

11.2 Notice and Cure Period.

(a) Upon a determination by one party that an Event of Default by the other party has occurred, the non-defaulting party shall notify the defaulting party in writing of (i) the nature of the default, (ii) the actions required to be taken by the defaulting party to cure the default, and (iii) the period of time within which the defaulting party must respond with a showing that all required actions have been taken, provided that such period of time shall be no less than thirty (30) days for monetary defaults, and no less than 60 days for non-monetary defaults, or such additional periods of time as may be reasonable, provided that the defaulting party promptly commences the cure of such default within the initial cure period and diligently prosecutes the same to completion.

(b) In addition to all other rights of the Investor hereunder, if upon receipt of said written notices from the Authority, the Investor shall have exercised its removal right under the Partnership Agreement and the substitute general partner within thirty (30) days of being admitted to Owner either has cured such default or has commenced to cure and thereafter diligently and continuously pursues same, then Owner shall not be considered in default or breach of the Agreement.

11.3 Remedies. If the defaulting party (or, as applicable, the Investor and/or the Agency if either has exercised intervention rights available to it) fails to respond or take corrective action to the satisfaction of the non-defaulting party within the time periods set forth above, the non-defaulting party shall have the right to exercise any equitable remedy available to it by reason of the nature of such default, including without limitation to seek appropriate relief through a non-compulsory arbitration proceeding conducted under rules of the American Arbitration Association or otherwise as the parties may agree, or to seek appropriate relief in any court having jurisdiction, including but not limited to specific performance, injunctive relief, or the appointment of a receiver to take over and operate the Development in accordance with the terms of this Agreement.

11.4 Rights of Others. The Authority shall transmit concurrently to the Investor and to any Approved Mortgage Lender a copy of any notice of default by Owner under this Agreement, and in the event that Owner shall fail to cure any such default within the applicable time period, any Approved Mortgage Lender shall be given a reasonable period of time (not less than 90 days) to effect a cure of Owner's default; provided, however, that in an emergency situation the Authority shall be permitted to act temporarily to protect the PHA-Assisted Units and the tenants thereof.

11.5 Exclusive Remedy. Notwithstanding anything to the contrary herein, in the event that diminished appropriations under Section 9 of the Act or other legislative changes significantly reduce the amount of operating subsidy that the Authority is able to provide to the Owner, the remedies contained in this Agreement, consistent with the Act (including, without

limitation section 35(h) thereof) as amended from time to time, and applicable HUD Regulations issued pursuant thereto, including, but not limited to, disbursements from the Affordability Reserve, and steps taken by the Owner to increase the income levels of tenants in the PHA-Assisted Units, shall be the exclusive remedies available to the Owner with respect to the reduction of operating subsidies provided by the Authority to the Owner. The Owner further agrees that in the event that diminished appropriations under section 9 of the Act or other legislative changes significantly reduce the amount of operating subsidy that the Authority is able to provide, the Owner shall have no recourse under this Agreement against any other project of the Authority, as the term project is defined in the ACC.

11.6 Effect of Default. Neither Owner nor Authority may enforce any remedy against the other party under the HOPE VI Loan or the Ground Lease if such party is responsible for an Event of Default under this Agreement.

11.7 Public Housing Requirements. Notwithstanding the foregoing, no right or remedy granted herein shall preclude enforcement of the Public Housing Requirements for the operation and maintenance of the PHA-Assisted Units.

12. DISCLAIMER OF HUD RELATIONSHIPS.

12.1 The Authority and Owner acknowledge that any transfer of HUD grant funds by the Authority to Owner shall not be or be deemed to be an assignment of such grant funds, and Owner shall not succeed to any rights or benefits of the Authority under the ACC or Grant Agreement, or attain any privileges, authorities, interests, or rights in or under the ACC or the Grant Agreement.

12.2 Nothing contained in the ACC or in any agreement between the Authority and Owner, nor any act of HUD or the Authority, shall be deemed or construed to create any relationship of third-party beneficiary, principal and agent, limited or general partnership, joint venture, or any association or relationship involving HUD, except between HUD and the Authority as provided under the terms of the ACC.

12.3 Owner agrees to include the disclaimer language in subsections 12.1 and 12.2 in any contracts Owner enters into that will be funded with public housing or other Federal funds.

12.4 Notwithstanding the foregoing, any first mortgage lender shall be entitled to rely upon Section 11(D) of the Mixed-Finance Amendment and to foreclose upon its mortgage and/or exercise any rights or remedies thereunder, and in doing so, succeed to the status of Owner under said mortgage and hereunder.

13. MISCELLANEOUS.

13.1 Term of Agreement. This Agreement shall continue in full force and effect until the later to occur of (i) expiration of the period during which the PHA-Assisted Units are required by law to be operated as "public housing" in accordance with the Act, and (ii) the expiration of 40 years from the date of first occupancy of a PHA-Assisted Unit.

13.2 Decision Standards.

(a) In any approval, consent or other determination by any party required under any of this Agreement, the party shall act reasonably, in good faith and in a timely manner, unless a different standard is explicitly stated.

(b) "Good faith" means honesty in fact in the conduct or transaction concerned based on the facts and circumstances actually known to the individual(s) acting for the party.

(c) "Discretion", "sole discretion", "option", "election" or words of similar import in this Agreement denote the party's privilege to act in furtherance of the party's interest.

(d) "Judgment" denotes a subjective standard obligating the party to use good faith in forming its professional opinion or estimate.

(e) "Reasonable judgment" denotes an objective standard obligating the party in good faith to act in a manner which is consistent with usual and customary practices of entities similarly situated, and not arbitrary or capricious.

13.3 Authority Approvals.

(a) Notwithstanding anything hereinabove provided, in all instances where the Authority is empowered or required to grant its approval or otherwise take action, the Authority's exercise or nonexercise of such power shall (subject to Public Housing Requirements) be consistent with Tax Credit Requirements and with Owner's obligations to TCAC and any Approved Mortgage Lender under their respective documents.

(b) For all actions requiring Authority approval, Owner shall submit the request for approval and supporting information with a notice that bears a bold face legend substantially as follows: **"Important: Your Response is Required in __ Working Days."**

(c) The Authority shall have a specified number of days to respond in writing. Authority's response, if not an approval, must include the basis for any objection and suggested modifications to obtain approval. For some issues, this Agreement identifies the number of days that Authority shall have to respond. For other issues, the amount of response time shall be stated in the notice, and shall be proportionate to the type and magnitude of the decision and the Owner's need to operate the Development. For example, but not in limitation, the decision time for emergency situations shall be shorter than the time for review and approval of budgets.

(d) If Owner does not receive a response within the specified number of days, it may send the Authority a notice of non-response, which shall be delivered to the Executive

Director of the Authority in accordance with the formal notice provisions hereof and which shall bear the bold-faced legend, "**Important: Notice of Non-response**". Following the giving of this notice, the Authority will have five (5) days in which to respond.

(e) If the Authority does not respond within such five (5) days, the Authority shall be deemed to have approved the action.

13.4 Notices. All notices, requests, demands, approvals, or other communications given hereunder or in connection with this Agreement shall be in writing and shall be deemed given when received, if (i) delivered by hand, (ii) sent by registered or certified mail, return receipt requested, (iii) sent by recognized overnight delivery service such as Federal Express, or (iv) transmitted by facsimile or electronic mail, provided such notice is also sent simultaneously in the manner provided for in (i), (ii), or (iii) above, addressed as follows:

If to Authority, to:

San Francisco Housing Authority
440 Turk Street.
San Francisco, CA 94102
Gregg Fortner, Executive Director

and a copy to:

Goldfarb & Lipman
1300 Clay Street
City Center Plaza
San Francisco, CA 94612
Attn: Michelle Brewer

If to Owner, to:

North Beach Housing Associates
c/o BRIDGE Housing Corporation
One Hawthorne Street, Suite 400
San Francisco, CA 94105
Attn: President

and a copy to:

Sheppard, Mullin, Richter and Hampton
Embarcadero Center Four, 17th Floor
San Francisco, CA 94111
Attention: Rebecca Hlebasko

If to Management Agent, to:

The John Stewart Company
1388 Sutter Street, 11th Floor
San Francisco, CA 94133

If to Investor, to:

Related Capital Company
625 Madison Avenue
New York, NY 10022
Attn: Marc Schnitzer

and a copy to: Proskauer Rose LLP
2049 Century Park East
Suite 3200
Los Angeles, CA 90067
Attn: Kenneth Krug, Esq.

If to First Mortgage Lender, to: Citibank, F.S.B.
Center for Community Development Enterprise
One Sansome Street, 26th Floor
San Francisco, CA 94104
Attn: Portfolio Manager

All such notices and other communications shall be deemed given on the date of personal or local courier delivery, facsimile or e-mail transmission, delivery to overnight courier or express delivery service, or deposit in the United States Mail, and shall be deemed to have been received (i) in the case of personal or local courier delivery, on the date of such delivery, (ii) in the case of facsimile or electronic mail, upon receipt of electronic confirmation thereof, but only if accompanied by notice by some other method hereunder, (iii) in the case of delivery by overnight courier or express delivery service, on the date following dispatch, and (iv) in the case of mailing, on the date specified in the return receipt therefor.

13.5 Further Assurances. Each party shall execute such other and further documents as may be reasonably necessary or proper for the consummation of the transaction contemplated by this Agreement.

13.6 No Assignment. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of each of the parties; provided, however, that except as provided in Section 10.4, Owner may not assign its interest in the Agreement without the prior written consent of the Authority and HUD.

13.7 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed original, but all of which, together, shall constitute one instrument.

13.8 Interpretation and Governing Law. This Agreement shall not be construed against the party who prepared it but shall be construed as though prepared by both parties. This Agreement shall be construed, interpreted, and governed by the laws of the State of California. It is the intention of the parties that each and every provision of law required to be inserted and set forth in this Agreement shall be so inserted and if any such provision has not been inserted, by mistake or otherwise, it shall be deemed incorporated herein. If there is a conflict between Public Housing Requirements and the legal requirements of an overlapping program, Public Housing Requirements will control unless the two can be harmonized.

13.9 Severability. If any portion of this Agreement is declared by a court of competent jurisdiction to be invalid or unenforceable, such portion shall be deemed severed from this Agreement and the remaining parts shall continue in full force as though such invalid or unenforceable provision had not been part of this Agreement.

13.10 No Personal Liability. No officer, director, shareholder, partner, employee, agent or other person authorized to act for or on behalf of either party shall be personally liable for any obligation, express or implied, hereunder. Owner shall look solely to Authority funds that are legally available for such purpose, and the Authority shall look solely to Owner, for the satisfaction of any remedy each might have with respect to the other for the other's failure to perform any of its obligations hereunder.

13.11 Modification of Agreement. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties and approved in writing by HUD.

13.12 Owner's Employees and Liabilities. It is understood that persons engaged or employed by Owner as employees, agents, or independent contractors shall be engaged or employed by Owner and not by the Authority; and Owner alone is responsible for their work, direction, compensation and personal conduct. Nothing included in any provision of this Agreement shall impose any liability or duty upon the Authority to persons, firms, or corporations employed or engaged by Owner in any capacity whatsoever, or make the Authority liable to any such persons, firms, or corporations, or to any government, for the acts, omissions, liabilities, obligations, and taxes, of whatsoever nature, of Owner or of its employees, agents, or independent contractors.

13.13 Neither Party an Agent. Nothing in this Agreement shall be deemed to appoint either Owner or the Authority as an agent for or representative of the other, and neither one shall be authorized to act on behalf of the other with respect to any matters except those specifically set forth in this Agreement. Neither Owner nor the Authority shall have any liability or duty to any person, firm, corporation, or governmental body for any act of omission or commission, liability, or obligation of the other, whether arising from Owner's or the Authority's actions under this Agreement or otherwise.

13.14 Conflict of Interest. Both parties warrant that to their actual knowledge, this Agreement (if deemed a contract) would not violate Section 19 of the ACC. Owner shall not knowingly grant an interest hereunder to a person identified in such Section 19 except with the approval of the Authority and HUD.

13.15 Waivers. The failure of either party to insist in any one or more cases upon the strict performance of any of the other party's obligations under this Agreement or to exercise any right or remedy herein contained shall not be construed as a waiver or a relinquishment for the future of such obligation, right or remedy. No waiver of any provision of this Agreement shall be deemed to have been made unless set forth in writing and signed by the waiving party.

13.16 Total Agreement. This instrument embodies the whole agreement of the parties with respect to the matters set forth herein. There are no promises, terms, conditions, or

obligations other than those contained herein, and this Agreement shall supersede all previous communications, representation, or agreements, either verbal or written between the parties.

13.17 Calendar Days. Unless otherwise stated, all references herein to a numbered period of days means calendar days.

13.18 Temporary Interests. Any rights granted hereunder to the Agency, any Approved Mortgage Lender, or other party, shall exist and be effective only for so long as such party maintains an otherwise enforceable interest in the Development, as through a currently effective loan or regulatory agreement. Any approval rights granted to HUD hereunder shall exist and be effective only if, and for so long as, such HUD approval is required by Public Housing Requirements. Approval rights of HUD required by Public Housing Requirements from time to time shall be deemed included herein even if not expressly set forth.

[Remainder of Page Left Blank]

IN WITNESS WHEREOF, the parties have duly executed this Agreement by their duly authorized signatories on or as of the date written on the initial page hereof.

Authority

Housing Authority of the City and County of San Francisco

By:_____
Gregg Fortner, Executive Director

Owner
North Beach Housing Associates, a California limited partnership

By: BRIDGE Housing Ventures, Inc. its general partner

By:_____

State of California)
) ss.
County of San Francisco)

The foregoing instrument was acknowledged before me this ___ day of_____, 2002 by _____ who, being by me duly sworn, did say that he is the Executive Director of the Housing Authority of the City and County of San Francisco, a public body corporate and politic, organized and existing under the laws of the State of California, and that he has the authority to execute under oath and has so executed the above instrument for and on behalf of said Housing Authority of the City and County of San Francisco.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal on the day and year first above written.

_____
Notary Public

My Commission Expires: _____

State of California)
) ss.
County of San Francisco)

The foregoing instrument was acknowledged before me this ___ day of _____, 2002 by _____ who, being by me duly sworn, did say that s/he is the _____ of BRIDGE Housing Corporation, the General Partner of _____, a California limited partnership, and that s/he has the authority to execute under oath and has so executed the above instrument for and on behalf of such partnership in his/her capacity as _____ of the General Partner.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal on the day and year first above written.

_____
Notary Public

My Commission Expires: _____

DOCUMENTS DEPT.

DEC 18 2002

SAN FRANCISCO
PUBLIC LIBRARY

AFFORDABILITY RESERVE ESCROW AGREEMENT
(North Beach Place)

THIS AFFORDABILITY RESERVE ESCROW AGREEMENT ("Agreement") is made as of the first day of November, 2002, by and among the Housing Authority of the City and County of San Francisco ("the Authority"), North Beach Housing Associates, a California Limited Partnership ("Owner"), and Citibank, F.S.B., a federal savings bank ("Escrow Agent") with reference to the following facts:

RECITALS

A. Owner intends to construct and own 341 rental housing units and related facilities, to be known as North Beach Place ("Development").

B. Owner or its designee is responsible for the leasing, operation, and management of the Development, subject (with regard to certain units) to the conditions and procedures set forth in that certain Regulatory and Operating Agreement dated of even date herewith ("Regulatory Agreement"). All capitalized terms used herein and not otherwise defined shall have the meanings given in the Regulatory Agreement.

C. Owner and Authority desire to enter into this Agreement in order to satisfy the conditions contained in Article 5 of the Regulatory Agreement, pursuant to which Authority shall deposit certain funds with an escrow agent, to be held and disbursed for the purposes and in accordance with the terms and conditions specified in the Regulatory Agreement.

D. Escrow Agent has agreed to accept such deposits and to act as depository thereof in accordance with the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Establishment of Affordability Reserve.

a. The Authority will deposit a total of not less than Nine Hundred Seventy- Five Thousand Dollars ($975,000) ("Initial Deposit") with Escrow Agent in accordance with the terms of Section 5.2 of the Regulatory Agreement. Escrow Agent shall hold the Initial Deposit and any other amounts deposited with Escrow Agent as set forth in the Regulatory Agreement, which funds shall constitute the "Affordability Reserve" and the account(s) containing the Affordability Reserve shall constitute the "Escrow Account." Escrow Agent agrees to hold the Affordability Reserve and retain the same subject to the terms of this Agreement. The Affordability Reserve shall constitute restricted funds of the Authority held in escrow to be applied solely for the benefit of the Development in accordance with the terms and conditions hereof, and of the Regulatory Agreement.

b. The Escrow Agent shall establish, as separate and distinct subaccounts, an "Initial Deposit Subaccount" and, as and when needed, a "Replenishment Subaccount" and an "Additional Deposits Subaccount". Notwithstanding the use of the term "subaccount", each account may have such separate identity as banking practice requires.

c. The Escrow Agent shall place the Initial Deposit in the Initial Deposit Subaccount, and shall place each further deposit into a subaccount in accordance with instructions of the party depositing the funds.

2. Distributions from Affordability Reserve.

a. By Certification.

1. The following shall constitute an "Entitlement":

(A) If by the tenth day of any month, the Authority shall not have paid to Owner an Operating Subsidy Payment equal to the full Operating Subsidy Requirement established for such month. In any such event, the amount of the Entitlement shall be the difference between the Operating Subsidy Payment actually paid and the full Operating Subsidy Requirement established for such month, cumulated with like sums for any prior months which have not previously been paid; or

(B) If a Quarterly Report prepared in accordance with section 7.2 of the Regulatory Agreement demonstrates the existence of a PHA-Assisted Units Shortfall in a prior quarter. In such event, the amount of the Entitlement shall be equal to the PHA-Assisted Units Shortfall, but in any event not to exceed the difference between the Operating Subsidy Payment paid in such quarter and the Operating Subsidy Target for such quarter. The Operating Subsidy Target for any period is defined as what the Operating Subsidy Requirement would be for the same period, if the current Operating Fund formula remained in effect, HUD fully funded its Operating Fund obligation in such year and the Authority's AEL in such year were deemed to be the greater of (i) actual AEL, or (ii) the Authority's AEL for FY 2002 increased by any subsequent increase in the CPI. An Entitlement shall exist only if the Owner has given the Authority written notice of its disbursement request, accompanied by the Quarterly Report and its calculation (if applicable) of the Operating Subsidy Target, and the Authority has failed to contest the request (through written notice to the Owner and the Escrow Agent setting forth its disagreement of fact) within three (3) business days.

2. Upon receipt of a notice from Owner in form materially identical to the attached Exhibit A (accompanied by certification of delivery, dated at least five days prior to the notice, of a copy to the Authority, the First Lender and the Investor) describing and certifying to the occurrence of an Entitlement and the amount thereof, in the form attached hereto as Exhibit

A, Escrow Agent shall disburse to the Owner, from funds available in the Escrow Account, the amount of the Entitlement. Escrow Agent shall make disbursements required hereunder within two days of any request therefore, or such longer time as may be reasonably required for the orderly liquidation of investments.

3. Escrow Agent shall be entitled to rely on the certification contained in the notice from Owner that all parties to whom delivery is certified received their copies of the notice requesting release of the Entitlement from the Escrow Account at or before the time required by this Agreement, that facts certified to by Owner are true, and that the request (so long as it in form materially identical to Exhibit A) is in all respects consistent with the Regulatory Agreement.

4. Unless otherwise instructed by the Owner and Authority jointly, the Escrow Agent shall make any disbursements required hereunder first from the Replenishment Subaccount until it is exhausted, then from the Initial Deposit Subaccount until it is exhausted, and finally from the Additional Deposits Subaccount.

b. By Joint Instruction. No disbursement shall be made from the Affordability Reserve (other than to Owner as described in Section 2.a. above or for the fees and expenses of the Escrow Agent as described in Section 7 below) unless Escrow Agent has received written instructions signed by both Owner and Authority directing such a disbursement. In such event, Escrow Agent shall have no responsibility to determine whether the purpose of any such disbursement shall be an approved purpose in accordance with the Regulatory Agreement, but shall have full right and authority to pay over and disburse Affordability Reserve funds in accordance with the aforesaid instructions.

3. Monthly Reporting. On a monthly basis in a writing delivered to Owner and Authority pursuant to the notice provision of this Agreement, Escrow Agent shall provide to Owner and Authority a statement of deposits to, and disbursements from, the Escrow Account and the balance of the Escrow Account at the end of the reporting period.

4. Termination. This Agreement shall terminate upon the termination of the Regulatory Agreement or such earlier or later date as the parties may hereafter agree in writing. Upon termination of this Agreement the Escrow Agent shall transfer all funds in the Affordability Reserve to (or as directed by) the Authority, upon and in accordance with the Authority's written request.

5. No Third Party Beneficiaries. It is the intention of the parties that this Agreement is made for the benefit of the Authority, Owner and the Development. Nothing herein shall be deemed to create, either expressly or by implication, any lien, claim, or right on behalf of laborers, mechanics, materialmen, lienholders, or any other third party whatsoever, which could in any way be superior to the lien and claim of Owner and the Authority, or which could be construed as creating any third party rights, interests, or obligations under this Agreement or to

pledge or otherwise encumber the Authority's or Owner's interest in any monies deposited under this Agreement to any party other than the Authority or Owner (or its assigns as permitted by Authority and HUD), and any such attempted assignment, pledge, or encumbrance shall be null and void.

6. Duties and Rights of the Escrow Agent. Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement, and no further duties shall be implied. Escrow Agent shall have no duty to ascertain compliance with the Regulatory Agreement (so long as any disbursement request is in form materially identical to Exhibit A) nor to solicit the delivery of the Initial Deposit or any document or notice that is permitted to be delivered pursuant to the terms of this Agreement. In the administration of this Agreement, Escrow Agent may perform any of its duties and execute any of its powers through its agents and attorneys and may consult with counsel, accountants, and other skilled persons to be selected and retained by it. Escrow Agent may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. Escrow Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. Escrow Agent shall not be liable for any action taken or omitted by it in good faith unless a court of competent jurisdiction determines that Escrow Agent's willful misconduct or gross negligence was the primary cause of any loss to Owner or Authority. Escrow Agent shall be entitled to consult with its attorneys concerning all matters involving this Agreement, and Escrow Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of such attorneys. Escrow Agent may resign and be discharged from its duties or obligations hereunder by giving written notice of such resignation specifying a date when such resignation shall take effect. Any corporation or association into which Escrow Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association to which Escrow Agent in its individual capacity shall sell or otherwise transfer all or substantially all of its corporate trust business, shall be the successor under this Agreement without any further act. Notwithstanding anything in this Agreement to the contrary, in no event shall Escrow Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits).

7. Payment of Expenses. Owner and Authority agree that Escrow Agent shall be entitled to annual reimbursement for all fees, charges, and expenses relating to the administration of Escrow Account and the services to be rendered by Escrow Agent under this Agreement, in accordance with the schedule set forth in Exhibit B hereto, and that it is entitled to deduct such fees, charges and expenses from the Affordability Reserve. Owner and Authority shall jointly approve requests for payment submitted by Escrow Agent for extraordinary costs and indemnification. Upon obtaining the approval of Owner and Authority, Escrow Agent may withdraw the approved amount of such extraordinary reimbursement from the Affordability Reserve.

8. Indemnification of Escrow Agent. Authority and Owner hereby agree jointly and severally to indemnify and hold the Escrow Agent and its directors, officers, agents and employees (collectively, the "Indemnitees") harmless from and against any and all claims, liabilities, losses, damages, fines, penalties, and expenses, including out-of-pocket, incidental expenses, legal fees and expenses, and the allocated costs and expenses of in-house counsel and legal staff ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees

or any of them for following any instructions or other directions upon which the Escrow Agent is authorized to rely pursuant to the terms of this Agreement. In addition to and not in limitation of the immediately preceding sentence, Authority and Owner also agree jointly and severally to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Escrow Agent's performance under this Agreement, provided the Escrow Agent has not acted with gross negligence or engaged in willful misconduct. The provisions of this Section 8 shall survive the termination of this Agreement and the resignation or removal of the Escrow Agent for any reason.

9. Permitted Investments. As directed in writing by the Authority, Escrow Agent shall invest the Escrow Account from time to time in Permitted Investments (as defined in the Regulatory Agreement; however, the Escrow Agent shall have no responsibility to determine the propriety of any investment) and interest earned on such investments shall be added to, deemed a part of, and held and disbursed in the same manner as the Escrow Account. It is expressly understood and agreed that if for any reason any such investment suffers a loss in value, neither of Owner or Authority or the Escrow Agent shall be required to make an additional deposit to offset said loss in value. In the absence of other instruction, Escrow Agent will invest the Escrow Account in accordance with Exhibit C which is incorporated herein by reference.

10. Tax Matters.

a. Tax Reporting. Parties agree that, for tax reporting purposes, all interest or other taxable income earned from the investment of the Escrow Funds in any tax year shall be taxable to the Authority.

b. Certification of Tax Identification Number. The parties hereto shall, within 30 days after the date hereof, provide the Escrow Agent with certified tax identification numbers by furnishing appropriate forms W-9 or W-8 and other forms and documents that the Escrow Agent may reasonably request. The parties understand that if such tax reporting documentation is not so certified to the Escrow Agent, the Escrow Agent may be required by the Internal Revenue Code of 1986, as amended, to withhold a portion of any interest or other income earned on the investment of monies or other property held by the Escrow Agent pursuant to this Agreement.

c. Tax Allocation. To the extent that the Escrow Agent becomes liable for the payment of any taxes in respect of income derived from the investment of funds held or payments made hereunder, the Escrow Agent shall satisfy such liability to the extent possible from the Escrow Funds. The parties agree to indemnify and hold the Escrow Agent harmless from and against any taxes, additions for late payment, interest, penalties and other expenses that may be assessed against the Escrow Agent on or with respect to any payment or other activities under this Agreement unless any such tax, addition for late payment, interest, penalties and other expenses shall arise out of or be caused by the actions of, or failure to act by, the Escrow Agent.

11. Miscellaneous.

a. This Agreement shall be binding upon and shall inure to the benefit of each of the parties and their respective successors and assigns. Without limitation, the word

"Owner" shall include any successor owner of the Development (other than the Authority or its designee) approved in accordance with the Regulatory Agreement.

b. All notices given under or in connection with this Agreement shall be given in writing and (i) delivered in person, or (ii) deposited in the United States Mail, postage prepaid, certified mail, or (iii) sent by overnight delivery service to each of the parties, or (iv) sent by electronic facsimile (fax), at the addresses and/or fax numbers set forth below, or at such other address as such party may designate by like notice, which notices shall be deemed given three (3) days after the date of mailing, or on the day following delivery to such overnight delivery courier service, or upon receipt of fax transmission, as the case may be:

If to Authority, to:
Housing Authority of the City and County of San Francisco
440 Turk Street
San Francisco, CA 94102
Attn: Executive Director

If to Owner, to:
North Beach Housing Associates
c/o BRIDGE Housing Corporation
One Hawthorne Street, Suite 400
San Francisco, CA 94105
Attn: President

If to Investor, to:
Related Capital Company
625 Madison Avenue
New York, NY 10022
Attn: Mark Schnitzer

If to Escrow Agent, to:
Citibank, F.S.B
Center for Community Development Enterprise
One Sansome Street, 26th Floor
San Francisco, CA 94104
Attn: Portfolio Manager

If to First Lender, to:
Citibank, F.S.B
Center for Community Development Enterprise
One Sansome Street, 26th Floor
San Francisco, CA 94104
Attn: Portfolio Manager

c. This Agreement shall be governed by and construed according to the laws of the State of California. This Agreement may not be modified or amended except in a writing signed by the parties.

d. This Agreement may be executed in multiple counterparts, each of which shall be an original, and all of which together shall constitute I and the same document.

e. Capitalized terms used herein and not defined herein shall have the meaning ascribed to them in the Regulatory Agreement.

f. Federal Funds Limitation. Escrow Agent acknowledges that:

(A) Any transfer of HUD grant funds (operating or capital assistance) by the Owner and/or Authority to the Escrow Agent shall be deposited by the Escrow Agent in the Escrow Account and shall not be or be deemed to be an assignment of such grant funds, and the Escrow Agent shall not succeed to any rights or benefits of the Owner and/or Authority under the ACC, the Mixed Finance ACC Amendment or any HOPE VI Grant Agreement, nor shall the Escrow Agent attain any privileges, authorities, interests, or rights in or under the ACC, the Mixed Finance ACC Amendment or any HOPE VI Grant Agreement.

(B) Nothing contained in the ACC, the Mixed Finance ACC Amendment, any HOPE VI Grant Agreement or any agreement or contract between the Owner and/or Authority and the Escrow Agent, nor any act of HUD or the Owner and/or Authority, shall be deemed or construed to create any relationship of third-party beneficiary, principal and agent, limited or general partnership, joint venture, or any association or relationship involving HUD, except between HUD and the Owner and/or Authority as provided under the terms of such agreements or contracts.

g. If First Lender obtains the appointment of a receiver for the Development or otherwise takes control of the Development prior to acquiring title to the Development through foreclosure or deed in lieu of foreclosure, then, upon notice to Escrow Agent from First Lender with a copy to the Authority, notwithstanding subsection f(A) above, such receiver or First Lender shall have the exclusive right to exercise the rights of Owner under this Agreement. The Authority and Owner recognize that Escrow Agent is also the First Lender, or a corporate affiliate thereof; however, the Escrow Agent shall at all times hold the Escrow Account in accordance with this Agreement notwithstanding any actions taken by the First Lender in such capacity.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered, by their respective officers, duly authorized to do so, on the date and year first written above.

Authority:
Housing Authority of the City and County of San Francisco

By: _____
Gregg Fortner, Executive Director

Owner:
North Beach Housing Associates, a California limited partnership

By: BRIDGE Housing Ventures, a California nonprofit public benefit corporation, its general partner

By: _____
Carol Galante, President

Escrow Agent:
Citibank, F.S.B.

By: _____

Name: _____

Title: _____

Exhibit A
Certification Regarding Disbursement

Citibank, F.S.B.
Center for Community Development Enterprise
One Sansome Street, 26th Floor
San Francisco, CA 94104

Re: Affordability Reserve Escrow Agreement
North Beach Place

Ladies and Gentlemen:

Please refer to Section 2 of the Affordability Reserve Escrow Agreement (the "Escrow Agreement") for the North Beach Place development that is dated as of November 1, 2002 by and among the Housing Authority of the City and County of San Francisco (the "Authority"), North Beach Housing Associates (the "Owner"), and you, as Escrow Agent. This request is being submitted by the Owner.

The party signing this letter certifies that he/she/it is an authorized employee or agent of the Owner, that this request is in all respects consistent with the Regulatory and Operating Agreement, that either the Authority's consent is attached, or notice of this disbursement request has already been provided to the Authority at least three (3) business days prior to the date hereof (date-stamped notice attached), and (check applicable box(es)):

____ 1. In reliance on Section 2(a)(1)(A) of the Escrow Agreement: by the tenth day of the month of _____, and for prior months _____, the Authority failed to pay the Owner the full amount of the Operating Subsidy Payment when due, and this request equals the amount due and not paid for such period.

____ 2. In reliance on Section 2(a)(1)(B) of the Escrow Agreement: in the period of _____, a Quarterly Report prepared in accordance with section 7.2 of the Regulatory Agreement demonstrates the existence of a PHA-Assisted Units Shortfall and the Authority has not notified the Owner of disagreement with the factual basis for this claim.

____ 3. In reliance on Section 2(b) of the Escrow Agreement: the Authority's consent is attached.

Accordingly, you are hereby requested and instructed to disburse to (or to the account of) Owner, from the Affordability Reserve (as defined in the Escrow Agreement), the amount of $_____, in accordance with the remittance instructions previously delivered to you or attached hereto.

You are requested and instructed to make this disbursement within two days of this request, unless you notify the Owner that the orderly liquidation of investments will require a longer time.

Very sincerely yours,

North Beach Housing Associates
Owner

cc: Executive Director, Housing Authority of the City and County of San Francisco

Exhibit B
Schedule of Charges

Exhibit C
Investments

In the absence of timely written direction, the Escrow Agent shall invest Escrow Funds in a Citibank money market mutual fund to be designated by the Authority upon making the initial deposit of Escrow Funds.

The Escrow Agent may purchase or sell to itself or any affiliate, as principal for agent. Such investment, if registerable, shall be registered in the name of the Escrow Agent for the benefit of the Authority and held by the Escrow Agent. The Escrow Agent shall be entitled to sell or redeem any such investments as necessary to make any payments or distributions required under this Agreement. The Escrow Agent may act as purchaser or agent in the making or disposing of any investments. The Escrow Agent shall have no responsibility or liability for any diminution of the Funds held in the Escrow Account which may result from any investment made pursuant to this Escrow Agreement, including any losses on any investment required to be liquidated prior to maturity in order to make a payment or distribution required hereunder.

The investments in the Citibank Funds are not obligations of, or endorsed or guaranteed by, the Escrow Agent or its affiliates and are not insured by the Federal Deposit Insurance Corporation. The Escrow Agent serves as investment advisor, custodian and transfer agent for the Citibank Funds and will be paid, and its bank affiliates may be paid, fees for services to the Fund and that those fees may include Processing Organization fees.

Such investments will be made as soon as possible following the availability of such funds to the Escrow Agent for investment, taking into consideration the regulations and requirements (including cut-off times) of the Federal Reserve wire system, the investment provider and the Escrow Agent, and compliance with standard operating procedures of such parties.

Investments designation may be changed through written instructions to the Escrow Agent, substantially in the form of a letter specifying other Investment Securities meeting the requirements of the Escrow Agreement. Such change in the designation will become effective upon receipt by the Escrow Agent.

NORTH BEACH PLACE
MANAGEMENT AGREEMENT
11.08.02

This Agreement is made effective as of February 11, 2002, by and between North Beach Housing Associates, a California limited partnership (hereinafter referred to as the "Owner"), and The John Stewart Company, a California corporation (hereinafter referred to as the "Manager"), for management services for North Beach Place, 341 residential units in San Francisco, California (the "Development").

1. Appointment and Acceptance. Owner hereby hires Manager to manage the Development and Manager hereby accepts the appointment; both appointment and acceptance are subject to the terms and conditions set forth in this Agreement. Manager hereby agrees to manage the Development in an efficient and satisfactory manner to the best of its abilities.
2. Definitions.
   (a) "Authority" means the Housing Authority of the City and County of San Francisco.
   (b) "Code" shall mean Section 42 of the Internal Revenue Code of 1986, as amended.
   (c) "Lease Agreement" means the Owner approved lease agreement and any addendum thereto, a copy of which shall be executed by the Manager on behalf of Owner, and each resident.
   (d) "Principal Parties" means Owner and Manager.
3. Manager's Compensation. Manager shall be compensated for its services under this Agreement as shown in the attached Exhibit A incorporated herein by this reference. Manager shall be paid the amount shown in Exhibit A, monthly in arrears, 30 days after the end of each month.
4. Term of Agreement. This Agreement shall be in effect from the date of certificate occupancy and ending five years thereafter subject, however, to the following conditions:
   (a) This Agreement may be terminated by either of the Principal Parties, without penalty, by giving not less than thirty (30) days written notice to the other Principal Party.
   (b) This agreement may be terminated without penalty (1) if there exists any building code violation (which is not timely cured within seven (7) days), or (2) if the Manager fails to comply with any applicable compliance rule and/or reporting requirement under the Code (which is not timely cured within thirty (30) days), or (3) if any Tax Credit Apartment Unit ceases to qualify under the Code, or (4) on account of the Manager's willful misconduct or gross negligence, or (5) upon the removal of any General Partner in accordance with Section 4(c) herein, or (6) if the Manager has failed to comply with the Regulatory and Operating Agreement for the PHA-Assisted Units in the Development and the Authority requires the Owner to terminate the management agreement.

DOCUMENTS DEPT.
DEC 18 2002
SAN FRANCISCO
PUBLIC LIBRARY

(c) In the event that a petition in bankruptcy is filed by or against either of the Principal Parties, or either of the Principal Parties seeks relief under any of the chapters of the Federal Bankruptcy Act, or in the event that either of the Principal Parties makes an assignment for the benefit of creditors (whether by common law assignment or pursuant to specific provisions of State or Federal law), or states in writing that it cannot pay debts when due, then the other Principal Party may terminate this Agreement.

(d) In the event Owner or Manager shall materially default in the performance or observance of any term, condition, or covenant contained in this Agreement, and that default shall continue for a period of ten (10) days after written notice shall have been given to the defaulting party specifying the default and requesting that the same be remedied, then the non-defaulting party may, at any time thereafter, declare by written notice to the defaulting party that this Agreement shall be terminated on the date specified in the notice if on such date the event of default shall be continuing. Notwithstanding the foregoing, if a non-monetary default cannot be remedied within the ten (10) day period, the defaulting party shall be deemed to be in compliance with this provision if that party shall, in good faith, have commenced to remedy the default within that ten (10) day period, shall subsequently prosecute to completion with diligence and continuity the remedying of the default, and shall remedy the default within a reasonable time.

(e) In the event North Beach Housing, Inc. or an affiliate thereof is removed as general partner of Owner, Owner any time thereafter may terminate this Agreement by written notice effective simultaneously with such removal.

(f) In the event of fraud, willful misconduct, gross negligence or bad faith on the part of either of the Principal Parties, then the other Principal Party may terminate this Agreement upon notice.

(g) In the event Owner determines that Manager has defaulted under this Agreement and either Manager disputes that determination or Manager contends that it has cured such default and Owner disputes such contention, this Agreement shall terminate upon three (3) days notice to Manager; provided, however, that if Manager elects to proceed with litigation to resolve such dispute and such dispute is resolved in favor of Manager, then this Agreement shall be reinstated effective as of the date of the favorable resolution.

(h) Upon any termination of this Agreement, Manager shall forthwith surrender and deliver to Owner any space in the Development occupied by Manager. Manager shall also surrender, deliver, and account for in writing to Owner all money due Owner then in the General Operating Account, the Replacement Reserve Account, the Operating Reserve Account, PHA-Assisted Operating Deficit Account and the Security Deposit Account, (as such terms are defined herein) and any and all money due Owner which is received by Manager from the Development after termination. Manager shall also deliver to Owner such contracts, documents, papers, and records pertaining to the Development or to this Agreement as may be

reasonably requested, and furnish all such information and take all such action as Owner shall require in order to effectuate an orderly and systematic transition of Manager's duties and activities under this Agreement to a new manager. The accounting records, even if housed at the office of Manager, shall be considered to be official records of the Development. Manager shall retain for 3 years copies of Development records and other pertinent documents (as required by Business and Professions Code Section 10148). Manager shall provide Owner with a final accounting of all records relating to this Agreement no later than thirty (30) days after termination.

5. Employees. The number of "on-site" employees, their job descriptions and their salaries shall be approved by Owner. The personnel shall be hired, supervised, and discharged by Manager. At least one staff person must reside on the premises. This Agreement is not one of employment of Manager by Owner, but one in which Manager is engaged as an independent contractor in the business of managing properties. All employment arrangements, therefore, are solely Manager's concern, and Manager shall have no authority to hire employees or establish an agency relationship on behalf of Owner. Manager agrees to comply in all material respects with all applicable laws and regulations concerning workers' compensation, social security, unemployment insurance, hours of labor, wages, working conditions, and like subjects affecting employers.

6. Marketing. The Agent will begin marketing activities approximately one year prior to initial occupancy in accordance with the Management Plan and will be paid a flat fee of $175.00 per unit in accordance with the following schedule:

   25% of the fee due ($14,918.75) payable at the commencement of marketing activities

   25% of the fee due ($14,918.75) six month following commencement of marketing activities

   25% of the fee due ($14,918.75) at the initial Certificate of Occupancy

   25% of the fee due ($14,918.75) at 90% occupancy

7. Tenant Selection. The Manager, when leasing residential units, shall comply with the following obligations:

   (a) Rent all residential units in compliance with Section 19 of this Agreement, and with the Tax Credit Regulatory Agreement between Owner and the California Tax Credit Allocation Committee and all other applicable regulatory agreements (collectively the "Regulatory Agreements"). Three residential units at the Development shall be reserved for site staff persons.

   (b) Assure that tenant selection is carried out in accordance with both Section 23 of this Agreement (regarding nondiscrimination) and the Regulatory Agreements.

   (c) Rent all PHA Assisted Units in compliance with Public Housing Requirements as defined in the HOPE VI Regulatory and Operating Agreement.

   (d) Assure that tenant selection is carried out without favoritism or partiality.

8. Documents Affecting the Development. Manager shall comply with the requirements of the loan documents and all documents recorded against the Development in connection

with the management, operations and maintenance of the Development, and shall comply with all insurance requirements.

9. Collection of Rents and Other Receipts. Manager shall collect when due all rents and other amounts receivable in connection with the management and operation of the Development. Subject to the rights of mortgagees under any assignment of rents, such receipts shall be deposited in the General Operating Account or the Security Deposit Account, as applicable, in the name of Project, with Manager and Owner as signatories.

10. Accounts. Manager shall establish the following separate accounts for Development funds: the "General Operating Account," the "Operating Reserve Account", the "Replacement Reserve Account", and the "Security Deposit Account". All accounts shall be interest bearing with the exception of the General Operating Account. Each of these accounts shall be fully insured by the Federal Deposit Insurance Corporation and shall be in the Project's name (with Manager as trustee). These funds shall not be commingled with Manager's funds or Owner's other funds. If required by the Lease Agreement, Manager shall collect security deposits and in collecting, handling, and disbursing these funds, Manager shall comply with this Agreement and applicable law.

(a) North Beach Place Operating Account: All revenue collected pursuant to Section 9 of this Agreement (other than security deposits) shall be credited to the North Beach Place Operating Account.

(b) Replacement Reserve Account: Manager shall transfer from the North Beach Place Operating Account to the Replacement Reserve Account an annual amount equal to $_____. Deposits of one-twelfth (1/12) of such amount shall be made to the Replacement Reserve Account each month on or before the 20th day of the month. All interest or other income earned by the Replacement Reserve Account shall be applied solely to the purposes of the Account.

(c) Operating Reserve Account: The Manager acknowledges that Owner will capitalize the Operating Reserve Account in an amount equal to $_____.

(d) Security Deposit Account: Manager shall deposit all tenant security deposits in the Security Deposit Account. All interest or other income earned by the Security Deposit Account shall be applied solely to the purposes of the fund.

11. Disbursements. Manager may disburse funds from the accounts described in Section 10 of this Agreement only for the following purposes:

(a) General Operating Account:

(1) Make the payments required to be made monthly by Owner under the mortgage documents for debt service, taxes, assessments, fire and other hazard insurance premiums and such other amounts that may from time to time be required thereunder.

(2) Make monthly transfers to the Replacement Reserve Account.

(3) Pay Manager's fee as provided in Section 3 of this Agreement.

(4) Pay salaries and benefits of "on-site" personnel hired pursuant to Section 5 of this Agreement and the taxes and other payments required by law to be paid to local, State and Federal governments in connection with the

employment of such personnel. Salaries and benefits shall not exceed those amounts that have been approved in the Annual Budget.

(5) Pay for insurance as required by Section 12 of this Agreement.

(6) Pay for other costs for the operation of the Development that have been approved in the Annual Budget, pursuant to Section 15 of this Agreement.

(7) Pay for the independent audit as required by Section 14(c) of this Agreement.

(8) Pay for expenditures authorized for maintenance and repair in Section 17 of this Agreement.

(9) Pay for the costs of utilities and services as authorized in Section 20 of this Agreement.

(10) Pay reasonable attorney's fees and other necessary costs incurred in connection with actions to terminate tenancies in accordance with Section 21 of this Agreement.

(11) Pay other items of expense approved in writing by Owner.

(b) Replacement Reserve Account: Funds from this account are subject to the provisions of, and restricted to those uses described in the mortgage documents and in the Limited Partnership Agreement of Owner ("Partnership Agreement").

(c) Operating Reserve Account: Funds from this account are restricted to uses in the Annual Budget only when funds in the General Operating Account are insufficient for that purpose.

(d) Security Deposit Account: Funds from this account are restricted to use for tenant refund of security deposits or to cure tenant defaults in accordance with the tenant's Lease Agreement and applicable law.

(e) PHA Assisted Operating Deficit Account: Funds from this account are restricted to operating deficits that are attributable to the PHA-Assisted Units only, subject to approval by the SFHA. An aggregate amount no greater than $_____ may be withdrawn in any given year without the written consent of the Owner and the San Francisco Housing Authority. It is anticipated that the funds will be draw on a monthly basis, as needed. This account shall be held by the Authority.

12. Insurance.

(a) Manager shall procure workers' compensation insurance in accordance with the laws of the State of California and employer's liability insurance applicable to and covering all employees of Manager at the Development and all persons engaged in the performance of any work required under this Agreement with limits of liability required by law.

(b) Owner shall procure and maintain insurance for the types of coverage and limits as required by all lenders and as set forth in Exhibit Q of the Contribution Agreement of Owner, as such coverage and limits may be increased by Owner, or to comply with any requirements imposed by a lender. Agent shall be named as an Additional Insured in such policies.

(c) If any work under this Agreement is subcontracted, Manager shall include in each subcontract a provision that the subcontractor shall carry workers' compensation insurance in accordance with the laws of the State of California. Manager shall also request evidence of such workers' compensation insurance.

(d) Manager shall promptly investigate and shall report in detail to Owner all accidents, claims for damage relating to the ownership, operation, or maintenance of the Development, and any damage or destruction to the Development and the estimated costs of repair, and shall prepare for approval by Owner all reports required by an insurance company in connection with any such accident, claim, damage, or destruction. These reports shall be given to Owner promptly and in any case within ten (10) days after the occurrence of any such accident, claim, damage, or destruction. The Manager shall cooperate with the Owner and insurers in the investigations and settlement of all claims.

13. Indemnifications.

(a) Manager shall indemnify and defend Owner against and hold Owner harmless from any and all losses, costs, damages, liabilities and expenses, including, without limitation, reasonable attorneys' fees, arising directly or indirectly out of (1) any default by Manager under the provisions of this Agreement, (2) any gross negligence or willful misconduct of Manager, or any of its officers, partners, directors, agents, or employees, in connection with this Agreement or Manager's services or work hereunder, whether within or beyond the scope of its duties or authority hereunder, (3) any claims for personal injuries to employees incurred during the course of their employ if such claims are covered by workers' compensation insurance required herein, or (4) all employment relations between Manager and its employees.

(b) Owner shall indemnify and defend Manager against and hold Manager harmless from any and all losses, costs, damages, liabilities and expenses, including, without limitation, reasonable attorneys' fees, arising directly or indirectly out of any matter related to the Development, the conduct of the business of Owner, or any action taken by Manager within the scope of its duties or authority under this Agreement, excluding only such of the foregoing as result from (1) any default by Manager under the provisions of this Agreement, (2) any gross negligence or any willful misconduct of Manager, its officers, partners, directors, agents, or employees, in connection with this Agreement or Manager's services or work hereunder, whether within or beyond the scope of its duties or authority hereunder, (3) any claims for personal injuries to employees incurred during the course of their employ if such claims are covered by workers' compensation insurance required herein, or (4) all employment relations between Manager and its employees.

The provisions of this Section 13 shall survive the termination of this Agreement.

14. Records and Reports. In addition to requirements specified elsewhere in this Agreement, Manager shall have the following responsibilities with respect to records and reports:

(a) Manager shall establish and maintain a comprehensive system of records, books, and accounts and any other documentation required by Owner in a form and in such detail satisfactory to Owner. All records, books, accounts and other documentation shall be subject to examination and copying during regular hours of business by any authorized representative of Owner.

(b) Manager shall at all times keep all financial records, books, accounts, and other financial material relating to the operation of the Development in a safe condition and accessible to Owner.

(c) Manager shall, as required under the Regulatory and Operating Agreement for the PHA-Assisted Units of North Beach Place, provide the U.S. Department of Housing and Urban Development and the San Francisco Housing Authority, upon reasonable notice to the Owner, access to books and records maintained by the Manager relating to the Development, including the ability of the Authority to access electronically the current operating records of the Development.

(d) Manager shall, when required under the Partnership Agreement, cause the records of the Development to be audited annually by the independent certified public accountant approved by Owner.

(e) Manager shall certify annually residents' income pursuant to the requirements of the Regulatory Agreements and Section 42 of the Code.

(f) Manager shall prepare and file all reports required under Section 42 of the Code or the Regulatory Agreements.

(g) Manager shall prepare an annual report of residents income eligibility in a form approved by Owner.

(h) Manager shall prepare any other reports required by Owner.

(i) Manager shall maintain and preserve all written records of tenant family income and size, and any other information reasonably requested by Owner in writing in connection with the tenants, throughout the term of this Agreement. In addition, Manager shall establish tenant files containing copies of leases, certification forms, notices and other documentation required by any lender or regulatory authority, if and to the extent applicable.

(j) Owner represents that the Development is eligible, as a low income housing project, for a property tax exemption from the San Francisco County Assessor's Office. Manager shall work with Owner and provide required information for Owner to seek exemption by completing Filing Claim for Property Tax Exemption Under the Welfare Exemption Provisions by February 15 of each year.

(k) Manager shall take and process applications for rentals consistent with criteria for occupancy to be established by Manager and approved by Owner. Manager will show the premises to prospective tenants. If an application is rejected, Manager will tell the applicant the reason for rejection, and the rejected application, with the reason for rejection noted thereon, will be kept on file for one (1) year. A current list of prospective tenants will be maintained.

15. Annual Budget. Manager shall submit to Owner for Owner's approval in a time frame required by the San Francisco Housing Authority and by the Limited Partnership, budget estimates for the next fiscal year (or partial fiscal year, as the case may be), for all operating and other expenses including (i) repairs and maintenance; (ii) utilities; (iii) cleaning and janitorial services; (iv) expenditures, if any, for repairs, alterations, rebuilding, replacements, additions, and/or improvements in and to the Development; (v) security services; (vi) compensation and related fringe benefits and expenses for personnel; and (vii) other costs and expenses to be incurred in operating the Development; all of which budget estimates shall be in a format approved by Owner and are collectively referred to as the "Annual Budget". The fiscal year as used in this Agreement shall be the calendar year. The PHA Fiscal Year as used in this Agreement shall commence on July 1 of each year and end on June 30 of the following year. Not later than 145 days before the first day of any PHA Fiscal Year commencing after EIOP, Manager shall submit a yearly operating budget to the Owner for the next PHA Fiscal Year.

Owner shall accept or reject the proposed Annual Budget within thirty (45) days after its receipt. If Owner shall reject any proposed Annual Budget submitted by Manager as provided above, Manager shall submit to Owner for Owner's approval a new proposed Annual Budget satisfying Owner's objections, within ten (10) days after the date of Owner's rejection as aforesaid. An approved budget shall be submitted to the Authority not later than 90 days before the first day of the PHA Fiscal Year, i.e., April 1. If the proposed Annual Budget is not approved before the start of the new fiscal year, the Manager shall operate, to the extent possible, under the previous year's Annual Budget.

During the fiscal year (or partial fiscal year) covered by each particular Annual Budget, Manager, in the performance of its duties as provided in this Agreement, shall operate within that Annual Budget as approved by Owner. Notwithstanding any provisions of this Agreement to the contrary, the prior approval of the Owner will be required for any expenditure which exceeds Two Thousand Five Hundred Dollars ($2,500) in any one instance, or Ten Thousand Dollars ($10,000) in the aggregate, for labor, materials, or otherwise in connection with the ownership, use, maintenance or repair of the Development, except for recurring expenses within the limits of the Annual Budget or emergency repairs involving manifest danger to persons or property, or required to avoid suspension of any necessary service to the Development. In the latter event, the Manager will inform the Owner of the emergency and the necessary expenditures as promptly as possible.

The Manager shall have no right to contract or otherwise deal with related parties for services or goods except if (a) compensation paid or promised for the goods and services is reasonable (i.e., at fair market value), is paid only for goods and services actually furnished to the Development, and does not exceed a total of Seventy-Five Hundred Dollars ($7,500) for all such contracts in any one calendar year, (b) the goods or services to be furnished are reasonable for and necessary to the management of the Development, (c) the fees, terms and conditions of the transactions are at least as

favorable to the Development as would be obtainable in an arm's-length transaction, and (d) any necessary consent from the Owner is obtained.

16. Reports.

(a) In addition to reports required elsewhere in this Agreement, Manager shall send or cause to be sent to each partner of Owner, within thirty (30) days after the end of each calendar month, a detailed income and expense statement and occupancy report/updated rent roll for such month.

Manager shall send or cause to be sent to each partner of Owner, within forty-five (45) days after the end of each of the first three calendar quarters, quarterly operating statements in a form approved by Owner, an income and expense statement, a balance sheet (or, in the alternative if a balance sheet is not typically prepared by Manager for its projects, the balance in the various Owner bank and reserve accounts), a cash flow detailing the excess of cash receipts over cash expenditures. Not later than 60 days after the close of each taxable year of Owner, preliminary drafts of (i) the balance sheet for the Development as of the end of the such fiscal year and statements of income and expense, Partners' equity and cash flow of the Partnership for such fiscal year, all of which shall be prepared in accordance with generally accepted accounting principles, consistently applied, or tax basis and (ii) a statement of the cash flow for each fiscal year (which need not be audited), showing distributions in respect of such fiscal year, which statement shall identify distributions from (a) cash flow generated during the fiscal year, and cash flow generated during prior fiscal years, (b) proceeds from the disposition of property and investments, and (c) reserves and other sources. Within ninety (90) days after the end of each fiscal year, the Manager shall send or cause to be sent final drafts of each of the aforementioned statements followed by an annual report of the Accountants containing an unqualified audit opinion of the Accountants within one hundred fifty (150) days after the end of each Fiscal Year. The Manager shall use best efforts to provide Owner with a draft of the Partnership audit within 80 days after the close of each Partnership taxable year.

(b) Within twenty (20) days from the end of each fiscal quarter, Manager shall provide Owner with a report on the PHA-Assisted Units setting forth the calculated Management Performance Indicators, as defined in the Regulatory and Operating Agreement for the PHA-Assisted Units, for such quarter, together with a narrative generally describing management operations in the prior quarter, describing any issues or unusual situations encountered, and describing any changes in practice to be applied.

(c) Manager shall provide Owner, within thirty (30) days after the end of each calendar year, with a report of any material physical defects in the Development, including a description of any major repair or maintenance work undertaken in the previous fiscal year or needed in the current fiscal year. Such statement shall describe what steps the Manager has taken in order to maintain the Development in a safe and sanitary condition in accordance with applicable housing and

building codes.

(d) Manager shall provide Owner, within thirty (30) days after the end of each calendar year, with:

(1) a certification regarding the occupancy of the Development indicating:

(i) the income of each current resident as of the date of the last income certification.

(ii) the current rent charged each resident.

(iii) the amount of utilities and whether utilities are included in rent.

(2) A statement regarding general management performance, including tenant relations and other relevant information.

(3) A summary of the information received from the annual recertification of tenants' incomes.

(4) Evidence of a currently paid hazard insurance policy, in compliance with all loan documents and in an amount equal to the replacement cost of the structure.

(5) Other information reasonably required by Owner.

(e) Manager shall provide such additional reports as required by Section 7.3 of the Amended and Restated Agreement of Limited Partnership of Owner.

17. Maintenance and Repair. Subject to any limitations on expenditures imposed by this Agreement, Manager shall cause the Development to be maintained and repaired in a condition at all times in compliance with all loan documents, including the Regulatory Agreements, and otherwise acceptable to Owner, including but not limited to cleaning, painting, decorating, plumbing, carpentry, grounds care, and such other maintenance and repairs as may be necessary.

In order to properly maintain the Development, the following actions shall be taken:

(a) A preventative maintenance schedule shall be developed by Manager for approval by Owner, which schedule shall be updated annually.

(b) Subject to Owner's prior approval, Manager may contract with qualified independent contractors for the maintenance and repair of mechanical/electrical systems, etc., and other extraordinary repairs beyond the capability of regular maintenance employees.

(c) Manager shall systematically and promptly investigate all requests for maintenance or repair from residents and, subject to limits imposed by this Agreement, shall take action thereon as may be justified, and keep records of the same. Emergency requests shall be received and services provided subject to limits imposed by this Agreement. Manager shall inform tenants of procedures to obtain maintenance services if an emergency occurs after normal office hours. Manager shall maintain a log book containing all service requests and maintenance repairs provided, copies of which shall be subject to periodic inspection by Owner.

(d) Subject to the Annual Budget and Section 15 of this Agreement, Manager shall purchase all materials, equipment, tools, appliances, supplies, and services

necessary to ensure proper maintenance and repair.

(e) Owner shall furnish Manager with a complete set of plans and specifications accurately reflecting the Development as built and copies of all guarantees and warranties pertinent to construction, fixtures, and equipment. With the aid of this information and inspection by competent personnel, Manager shall familiarize itself with the character, location, construction, layout plan, and operation of the Development and especially of the electrical, heating, plumbing, air conditioning and ventilating systems, the elevators, and all other mechanical equipment and systems.

(f) Owner has agreed to use Authority skilled trade personnel for any work in the 229 replacement units requiring a licensed contractor per City code. This includes plumbing, electrical, glazing and complex or extensive carpentry work. Where skilled trades are required, the Agent will identify the nature of the maintenance request and whether the request is an emergency or a routine maintenance request, and call in work orders to Authority Central Dispatching. If the nature of the maintenance request is determined to be an emergency, Authority will dispatch the skilled worker in not less than two (2) hours. If the nature of the maintenance request is not an emergency, the Authority will dispatch the skilled worker so that the maintenance request can be completed by the close of the same business day or within 12 hours. If the Authority is not able to dispatch the skilled trade worker within the time frame indicated, then the Agent may call an outside contractor to perform the work. Additionally, the Authority Central Dispatching personnel will communicate the availability or lack of availability of trade workers to the Agent within two hours of notification of work order. Whenever Authority skilled trade workers are dispatched to the Development, the Development will be charged for the hours required to correct problems at the current Authority established wage rates for the specific trade, including fringe benefits. Any use of the Authority's materials will also be charged to the Development. Upon completion of the maintenance request, the Authority will submit an invoice to the Agent, which will then process the invoice for payment from the North Beach Place Operating Account.

18. Rent Increases. The initial rent for each household shall be in accordance with the schedule of rents in the Economic Projections and incorporated herein by this reference. Rents shall be increased at the request of Owner and shall not be increased without the prior approval of Owner. In no event shall rent payable by the residents exceed the maximum amount allowed to be charged residents under Section 42 of the Code or any Regulatory Agreement, whichever is lower.

19. Resident Selection. Manager shall accept applications for tenancy on a form of tenant application approved by the Owner. Manager shall review all applications for eligibility and submit all qualified applications to the Owner for approval. New leases on units shall be contingent on the Owner's approval. A fee of $100 per hour, as an initial rate subject to change, will be paid to the Owner for its review of applications.

20. Utilities and Services. Manager shall make arrangements for all common area utilities, sewage, rubbish collection, vermin extermination, decorating, landscaping, laundry equipment, and telephone service. Manager has the authority to execute such contracts on behalf of Owner as may be necessary to secure such services, subject to the limitations of the Annual Budget and this Agreement.

21. Enforcement of Lease Agreements. The Manager will endeavor to secure full compliance by each resident with the terms of the Lease Agreement. The Manager may lawfully terminate any tenancy when, in the Manager's judgment, sufficient cause (including, but not limited to nonpayment of rent) for such termination occurs under the terms of the tenant's Lease Agreement, provided such termination would not be a violation of the terms of the Regulatory Agreements, the Management Plan or any loan document. For this purpose, the Manager is authorized to consult with legal counsel, selected by Manager, to bring actions for eviction and execute notices to vacate and judicial pleadings incident to such actions, provided, however, that the Manager will keep Owner informed of such actions and will follow such instructions as the Owner may prescribe for the conduct of any such action. Attorneys' fees and other necessary costs incurred in connection with such actions will be paid out of the General Operating Account as Development expenses.

22. Orientation/Training. Manager and appropriate personnel shall attend orientation or training sessions as may be required by the Owner. Manager will conduct move-in orientations with residents regarding safety, disaster preparedness and proper use of the units if requested by Owner.

23. Compliance with Government Orders. Manager shall take such action as may be necessary to comply promptly with all loan documents, government orders or requirements affecting the Development, whether imposed by federal, state, county, or municipal authority; provided, however, Manager shall take no such action so long as Owner is contesting, or has informed Manager of its intention to contest within seventy-two (72) hours of the time of Owner's receipt of notice from Manager of such order or requirements. The Manager will be held harmless if the Owner does contest.

24. Nondiscrimination. The Principal Parties agree that there shall be no discrimination against any individual or family because of race, color, creed, national or ethnic origin or ancestry, religion, sex, sexual preference, gender identity, age, disability, handicap, military status, source of income, marital status or presence of children in a household, acquired immune deficiency syndrome (AIDS) or AIDS-related conditions (ARC), or any other arbitrary basis. No criteria will be applied or information considered pertaining to attributes of behavior that may be imputed by some to a particular group or category. All criteria shall be applied equitably and all information considered on an applicant shall be related solely to the attributes and behavior of individual members of the household as they may affect residency.

25. Inspection of Units. Manager shall inspect all units in the Development at least annually and shall invite Owner to join in the inspection. Advance notice shall be given to residents as provided in the Lease Agreement and subject to law.

26. Fidelity Bond. The Manager will furnish, as a Development expense, a fidelity bond in

an amount which is at least equal to the sum of the gross potential income for two months and the amount of the security deposits, to protect the Owner and the Manager against misappropriation of project funds by the employees of Manager. Manager will furnish a fidelity bond for its central office staff at Manager's expense.

27. Contracts with Third Parties. Manager shall not enter into any contract for products or services that is longer than one year unless such contract is terminable without any penalty or premium with 30 days notice.

28. Bids, Discounts, Rebates, and Commissions. Manager shall obtain contracts, materials, supplies, and services on the most advantageous terms available to the Development, and is authorized to solicit three (3) formal bids for each major item or service required. Manager shall secure and credit to the General Operating Account all discounts, rebates, or commissions obtainable with respect to purchases, service contracts, and all other transactions on Owner's behalf.

29. Interpretative Provisions.

(a) This Agreement is personal to Manager, and Manager shall have no right, power, or authority to assign all or any portion of this Agreement or any monies due or to become due hereunder, or to delegate any duties or obligations arising hereunder, either voluntarily or involuntarily or by operation of law, without the prior written consent of Owner. Notwithstanding any such assignment, however, Manager shall not be released from liability under this Agreement. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the Owner and Manager and their respective legal representatives, successors, and assigns.

(b) At its own expense, Manager shall qualify to do business and obtain and maintain such licenses as may be required for the performance by Manager of its services under this Agreement.

(c) This Agreement constitutes the entire agreement between Owner and Manager with respect to the management and operations of the Development and no change will be valid unless made by supplemental written agreement executed by the Principal Parties.

(d) This Agreement may be signed by the parties hereto in counterparts with the same effect as if the signatories to each counterpart signed a single instrument. All counterparts (when taken together) shall constitute an original of this Agreement. Manager acknowledges that certain contracts with affiliates may require the approval of Owner's limited partner and Manager shall not enter into any such contracts without determining whether any such approval is required (and obtained if required).

30. Tax Credit Compliance. Manager shall indemnify, defend and hold Owner and its partners harmless from and against all damages, losses, actions, causes of action, liabilities, claims, costs and expenses (including, without limitation, attorneys' fees and court costs) in the event Manager (a) leases any unit to a third party or parties who fail to satisfy the eligibility or income requirements established for such unit(s), or (b) charges

rent for any unit in excess of the amount allowed for such unit by any lender, the Code or the Regulatory Agreements. Such indemnity obligation shall survive the expiration or earlier termination of this Agreement.

31. Notices. Any notice or other communication required or permitted to be given under this Agreement shall be in writing and shall be personally delivered including, but not limited to, overnight delivery or deposited in the certified U.S. mail, return receipt requested, first class and postage prepaid, addressed to each party at the following addresses or such other address as may be designated by a notice pursuant to this Section:

Manager: The John Stewart Company
1388 Sutter Street, 11th Floor
San Francisco, California 94109

Owner: North Beach Housing Associates
a California Limited Partnership
One Hawthorne Street, Suite 400
San Francisco, California 94105

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

OWNER:

North Beach Housing Associates, a California Limited Partnership

By: BRIDGE Housing Ventures, Inc., a California nonprofit public benefit corporation, its General Partner

By: _____

Its: President

_____
WITNESS

MANAGER:

The John Stewart Company, a California corporation

By: _____

Its: Senior Vice President

_____
WITNESS

EXHIBIT A

Manager's Compensation

The Management Fee is equal to $37 per residential unit per month plus a minimum 2.5% annual escalation and the Accounting Fee is equal to $7.92 per residential unit per month plus a minimum 2.5% annual escalation, in addition, a one time lease-up marketing fee of $175 per unit.

Annual escalations in Management and Accounting fees: Each contract anniversary date ("Adjustment Date"), these fees shall be adjusted as follow (each adjustment a "CPI Adjustment"):

1. The Consumer Price Index Urban Wage Earners and Clerical Workers (base years 1982-1984=100) for San Francisco-Oakland-San Jose area published by the United States Department of Labor, Bureau of Labor Statistics ("Index") published most immediately preceding the Adjustment Date ("Adjustment Index"), shall be compared with the Index published most immediately preceding the prior anniversary date ("Prior Index").
2. If the Adjustment Index has increased over the Prior Index, fees payable on and after the Adjustment Date shall be set by multiplying the then scheduled fees by a fraction, the numerator of which is the Adjustment Index and the denominator of which is the Prior Index. In no event shall the monthly fees on or after the Adjustment Date be less than the monthly scheduled fee immediately prior to the Adjustment Date.
3. If the Index is changed so that the base year differs from that used as of the date most immediately preceding the contract anniversary date, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the year, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

Manager shall also receive a prepaid management fee in the amount of $440,000, payable 50% at closing, 25% during project construction and 25% upon the Second Note Payment Date (as defined in the Contribution Agreement attached to the Amended and Restated Agreement of Limited Partnership of Owner).

DOCUMENTS DEPT.

DEC 18 2002

SAN FRANCISCO
PUBLIC LIBRARY

NORTH BEACH PLACE
MANAGEMENT PLAN
(11/06/02)

SECTION 1 PLAN DESCRIPTION

1.1 PROPERTY: North Beach Place

1.2 LOCATION: The two blocks bounded by Bay, Mason, Francisco, and Taylor Streets, and Columbus Avenue, in San Francisco, California

1.3 TOTAL NUMBER OF DWELLING UNITS – 341, further defined below:

ACC Replacement Units (Tax Credit)	(133)
ACC Replacement Units (Non-Tax Credit)	(5)
Section 8 Replacement Units	(91)*
Mayor's Office of Housing Units (Non-Section 8)	(84)**
Mayor's Office of Housing (Section 8)	(28)
TOTAL	(341)

* Includes 47 senior units, one of which is a staff unit, and 44 family units.

** Includes two staff units.

All units in the Property will be designated as one of the above unit-types prior to initial occupancy.

1.4 PERCENTAGE OF PUBLIC HOUSING UNITS (138): 40%

1.5 DEFINITIONS

Unless otherwise stated in this Management Plan (the "Plan"):

(a) "Owner" shall refer to North Beach Housing Associates, a California Limited Partnership.

(b) "Agent" shall refer to The John Stewart Company and any successor agent.

(c) "Housing Authority" shall refer to the Housing Authority of the City and County of San Francisco.

(d) "North Beach Place" or "Property" shall refer to North Beach Place, a 341-unit affordable housing development which will be developed in the two blocks bounded by Bay, Mason, Francisco, and Taylor Streets, and Columbus Avenue, in San Francisco, California

(e) "Former Development" is the former North Beach Place public housing project from which public housing tenants were relocated.

(f) "Relocatees" shall refer to Heads of Households that were under validly executed Housing Authority lease agreements at the Former Development prior to the initial Notice of Relocation.

(g) "Public Housing Units" shall refer to the ACC Replacement Units (Tax Credit) and the ACC Replacement Units (Non-Tax Credit), or a total of 138 units.

(h) "Non-Public Housing Units" shall refer to the Section 8 Replacement Units, the Mayor's Office of Housing Units (Non-Section 8) and the Mayor's Office of Housing Units (Section 8), or a total of 203 units.

(i) "Tax Credit Units" shall refer to all units in the Property, except the 5 ACC Replacement Units (Non-Tax Credit), for a total of 336 units.

1.6 GOVERNING DOCUMENTS AND AUTHORITIES

The management of the Property will be carried out under the direct supervision of the Agent, as agent of the Owner, subject to all applicable laws and regulations (including specifically, but without limitation, the laws, regulations and documents cited below):

(a) United States Housing Act of 1937 as amended from time to time, or any successor legislation (the "Act").

(b) Urban Revitalization Demonstration Program (HOPE VI) Implementation Grant Agreement, effective_____, between the United States Department of Housing and Urban Development ("HUD") and the Housing Authority.

(c) Declaration of Trust and Restrictive Covenants, effective _____.

(d) Consolidated Annual Contributions Contract between HUD and the Housing Authority dated _____, as amended from time to time including, specifically, as amended by a by Mixed Finance Amendment to Consolidated Annual Contributions Contract related to the Property and dated simultaneously herewith (the "ACC").

(e) Regulatory and Operating Agreement, dated as of _____between the Housing Authority and the Owner (the "Regulatory and Operating Agreement").

(f) Residential Ground Lease, dated as of _____, between the Housing Authority and the Owner (the "Ground Lease").

(g) Regulatory Agreement between the Owner and the California Tax Credit Allocation Committee (the "Tax Credit Regulatory Agreement").

(h) Second Amended and Restated Limited Partnership Agreement of the Owner.

(i) Management Agreement, dated as of _____, between the Owner and the Agent (the "Management Agreement").

(j) The Fair Housing Act, 42 U.S.C. 3601-19, and regulations issued thereunder, 24 CFR Part 100; Executive Order 11063 (Equal Opportunity in Housing) and regulations issued thereunder, 24 CFR Part 107; the fair housing poster regulations, 24 CFR Part 110, and advertising guidelines, 24 CFR Part 109.

(k) Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d, and regulations issued thereunder relating to non-discrimination in housing, 24 CFR Part 1.

(l) Age Discrimination Act of 1975, 42 U.S.C. 6101-07, and regulations issued thereunder, 24 CFR Part 146.

(m) Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. 794, and regulations issued thereunder, 24 CFR Part 8; the Americans with Disabilities Act, 42 U.S.C. 12181-89, and regulations issued thereunder, 28 CFR Part 36.

(n) Section 3 of the Housing and Urban Development Act of 1968, 12 U.S.C. 1701u, and regulations issued thereunder, 24 CFR Part 135.

(o) Section 214 of the Housing and Community Development Act of 1980, 42 U.S.C. § 1436a, and regulations issued thereunder, 24 CFR Part 5, Subpart E.

(p) Regulations pertaining to operation of public housing, 24 CFR Subtitle B, Chapter IX, and Part 5, as amended from time to time, except to the extent determined by HUD to be not applicable to units in a mixed-finance development.

(q) The Quality Housing and Work Responsibility Act (QHWRA) and any successor acts with exceptions as outlined in the Housing Authority's Annual Plan. In any event of any differing requirements among regulatory programs to which the Development is subject, the Development shall comply with the strictest of all such requirements.

(r) Housing Authority's Admissions and Continued Occupancy Policy (ACOP) with exceptions as outlined in the Housing Authority's Annual Plan. In any event of any differing requirements among regulatory programs to which the Development is subject, the Development shall comply with the strictest of all such requirements.

(s) MOH Declaration of Restrictions, Section 8 (HAP) contracts/restrictions, any additional declaration or restrictions.

(t) All state and local fair housing laws.

SECTION 2 MANAGEMENT OF THE PROPERTY

2.1 MANAGEMENT PLAN GOALS

(a) To provide a desirable, well-maintained and affordable place to live for an economically, racially and ethnically integrated resident population, without regard to race,

religion, sex, color, family status, disability status, national origin, marital status, ancestry, gender identity or sexual orientation, source of income, AIDS or AIDS Related Condition (ARC).

(b) To house eligible, suitable and responsible residents and maximize occupancy and rent collection efforts such that when combined with available subsidies, the income for the Property will at least equal reasonably required operating expenses.

(c) To provide effective and timely services to the residents while responsibly maintaining the property in an efficient and cost-effective manner.

(d) To maintain effective working relationships with resident association(s), local government including the police department, other property owners in the surrounding area, lenders and investors.

(e) To comply with all regulatory agreements.

2.2 MANAGEMENT OPERATIONS

This Plan is in accordance with the governing authorities and documents referenced in Section 1.6. These authorities and documents require that (a) 138 of the dwelling units in the Property are to be set aside and operated as "public housing" (as defined in Section 3(b) of the Act), eligible to receive the benefit of operating subsidies provided to the Housing Authority by HUD pursuant to Section 9 of the Act, during the period required by the Regulatory and Operating Agreement (the "Public Housing Units"), (b) 336 of the dwelling units in the Property are to be operated as qualified low-income units under Section 42 of the Internal Revenue Code (the "IRC"), in conformance with the Tax Credit Regulatory Agreement, for a period of not less than the compliance period and any extended use period as defined therein (the "Tax Credit Units"), and (c) 118 of the dwelling units are to be operated as project-based Section 8 voucher units. All but 5 of the Public Housing Units will be subject to Section 42 of the IRC (the "ACC Replacement Units (Non-Tax Credit").

The Agent will continually review the Plan and advise the Owner of changes deemed by the Agent to be necessary or desirable. Any amendments to this Plan shall be subject to the approval and consultation requirements set forth in Section 5.

(a) The Owner delegates authority for management of the Property on a day-to-day basis to the Agent, subject to the Owner's review and authority to remove the Agent as provided in the Management Agreement. The Agent will be charged with specific performance in accordance with the Plan and will, by means of periodic budgets, financial statements, status reports, reports for the Owner as outlined herein and the Housing Authority as outlined in Section 2.3, and through personal conferences, advise the Owner and the Housing Authority on the operation of the Property.

(b) The Agent has entered into the Management Agreement with the Owner and will be paid a fee for its services as provided therein. The Management Agreement outlines the general responsibilities of the Agent, in part, as follows:

1. The Agent will prepare an operating budget, set job standards and wage rates previously approved by the Owner, and investigate, hire, pay, supervise, and discharge all personnel necessary to properly maintain and operate the Property.

2. The Agent will staff the Property in accordance with the highest standards achievable and consistent with this Plan and the Management Agreement and in compliance with the governing documents. On-site staff shall include the positions indicated in Section 2.4(b).

3. The general maintenance of the Property will be a high priority. Maintenance items will include, but not be limited to, exterior and interior cleaning (not to include the cleaning of occupied individual units), painting, common area decorating, plumbing, electrical, mechanical, carpentry, and other normal maintenance and repair work necessary to maintain the Property, the welfare of the residents or any other person.

4. The Agent, subject to the availability of operating funds and approval requirements set forth in this Plan and the Management Agreement, shall maintain the Property in good order and repair, and with reasonable promptness, make all necessary and appropriate repairs thereto of every kind and nature, including those necessary to comply with changes in any legal requirements, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen.

5. All repairs shall be at least equivalent in quality to the original work. The Agent will not take or omit any action the taking or omission of which might materially impair the value or the usefulness of the Property or any part thereof.

6. All maintenance requests from residents, or work orders initiated by management, will be recorded and will become part of the resident's file (which shall be made available for review by that resident at his or her request) and a work order record system, which will be available for management review and, to the maximum extent permissible by law, forreview by other interested parties.

7. The Agent will collect all rents, legal charges, maintenance charges, and any other sundry fees due from residents and lessees and all monies due from concessionaires and deposit them in proper accounts.

8. The Agent will furnish the Owner with an itemized list of all rents and other income received each month on or before the 30th day of the following month.

9. The Agent will render to the Owner and the Housing Authority a monthly report on rental activity on or before the 30th day of the following month. That report will document unit turnovers and vacancy, along with a narrative outlining activity and occupancy trends, where appropriate.

10. The Agent will attempt at all times to keep the Property fully occupied. Prospective residents for the units will be admitted in accordance with the Regulatory

and Operating Agreement and the Resident Selection Criteria referenced in Section 2.5 and attached as Exhibit B.

11. The Agent will prepare an annual operating budget, which will be approved by the Owner in accordance with Section 2.10 of this Plan. The Agent will furnish the Owner with a statement of all receipts and disbursements for each month by the 30th day of the following month, accompanied by a brief status summary of the operation of the Property, including, if any, the problems, resident complaints, and abnormal operating conditions reported during that month including actions taken or recommended with timeframes to address any problems.

12. The Agent will maintain a comprehensive set of accounting records satisfactory to the Owner, HUD, and any other regulatory agencies.

13. The Agent will maintain a separate bank account in the Property's name (with Agent as trustee) and designated as the "North Beach Place Operating Account." The funds in this account will be used for the payment of all Property expenses including mortgage payments, escrows, administrative expenses, operational expenses, maintenance expenses and other expenditures. All deposits from rental, operating subsidies and other income will be placed in this account for disbursements to various vendors. All checks against this account will be written from the central office of the Agent.

14. The Agent will collect, deposit, and disburse security deposits, if required, in accordance with the terms of each resident's lease. Security deposits will be deposited by the Agent, separate from all other accounts and funds, with a bank or other financial institution whose deposits are insured by the United States. The account will be held in the Property's name (with Agent as trustee) and designated as the "North Beach Place Security Deposit Account." The Agent will comply with any applicable state or local law regarding security deposits, including, without limitation, any applicable laws concerning payment of interest thereon.

15. The Agent will investigate and make a full written report of all incidents involving personal injury or property damage relating to the operation of the Property, and will cooperate with insurance carriers to facilitate any claim handling that may be required from time to time. Copies of all such reports will be submitted to the Owner within two business days of any such incidents.

16. The Agent will provide all new move-ins with a project overview, community orientation, unit inspection with instruction on systems, carpet maintenance and appliances, and health and safety matters.

(c) All expenses incurred by the Agent for off-site supervisory staff and non-allocable expenses related to this staff will be paid from the Agent's fee. Expenses charged to the Property and not borne by the Agent will include such items as are listed below:

1. Salary and related compensation of the Property's site manager and approved site personnel.

2. Cost of on-site office and any apartment or apartments for on-site staff.

3. Cost of Resident Programs.

4. Other on-site staff, such as maintenance personnel, landscaping, custodial staff and leasing staff.

5. Costs attributable to other employees of the Agent or Owner who perform "front-line" functions, to the extent permitted by the applicable HUD Handbook and as approved by Owner.

6. Property-specific legal and accounting expenses, and finance and accounting materials and services.

7. Maintenance and repair costs, utilities, taxes, insurance, fringe benefits related to on-site employees and other normal operating expenses.

8. Security personnel services.

9. Cost of preparing annual audited financial reports to regulatory agencies and tax information for the Owner.

10. Cost of lockbox service, delinquency notices, evictions.

11. Credit checks/Unlawful detainer checks and possible home visits of prospective residents.

2.3 REQUIREMENTS OF HOUSING AUTHORITY

(a) The Agent will comply with all budgetary and reporting procedures outlined in the Regulatory and Operating Agreement, which sets forth the relationship between the operating budget and operating subsidy payments made by the Housing Authority to the Owner for the Property.

(b) The Agent will cooperate and conduct best efforts with Housing Authority requests to assure its compliance with the Public Housing Assessment System ("PHAS") outlined in 24 CFR Part 902, to the extent applicable to the Units.

(c) The Agent will cooperate with Housing Authority requests to assure its compliance with the Housing Authority's Admissions and Continued Occupancy Policy, the Administrative Plan for the Section 8 Program, as applicable, and any subsequent revisions except where the Property is exempted from compliance.

(d) Resident information and files regarding the Public Housing Units will remain at the Property and are to be accessible by the Housing Authority during regular business hours and with reasonable notice. In the case that the PHAS inspector has not given reasonable notice to the Housing Authority and inspection is required, resident information and files regarding the Public Housing Units will be accessible to the Housing Authority during regular business hours.

2.4 PERSONNEL POLICIES

(a) Owner has agreed to use Housing Authority skilled trade personnel at the 229 replacement units for work for which Agent would be required to hire a licensed contractor per City code, and may use such skilled trade personnel in other units at the Property at its discretion. This includes plumbing, electrical, glazing and complex or extensive carpentry work. Where skilled trades are required, the Agent will identify the nature of the maintenance request and whether the request is an emergency or a routine maintenance request, and call in work orders to Housing Authority Central Dispatching. If the nature of the maintenance request is determined to be an emergency, Housing Authority will dispatch the skilled worker in not less than two (2) hours. If the nature of the maintenance request is not an emergency, the Housing Authority will dispatch the skilled worker so that the maintenance request can be completed by the close of the same business day or within 12 hours. If the Housing Authority is not able to dispatch the skilled trade worker within the time frame indicated, then the Agent may call an outside contractor to perform the work. Additionally, the Housing Authority Central Dispatching personnel will communicate the availability or lack of availability of trade workers to the Agent within two hours.

Whenever Housing Authority skilled trade workers are dispatched to North Beach Place, the development will be charged for the hours required to correct problems at the current Housing Authority established wage rates for the specific trade, including overtime and fringe benefits. Any use of the Housing Authority's materials will also be charged to North Beach Place. Upon completion of the maintenance request, the Housing Authority will submit an invoice to the Agent, which will then process the invoice for payment from the North Beach Place Operating Account.

It is agreed that the Housing Authority will designate at least one FTE staff person to work on the notices to residents, subsequent follow-up and eligibility during initial lease-up. The Agent will dedicate one FTE staff to the Housing Authority at their offices to assist in the eligibility process, and to provide training in tax credit compliance to Housing Authority staff assigned to North Beach Place.

After initial lease-up, the Housing Authority agrees to provide two points of contact (Housing Authority staff) in the eligibility department responsible for the continued occupancy of North Beach Place.

(b) The initial dedicated site staffing requirements (employees of the Agent) for North Beach Place are outlined below:

Job Title	Number
Administrator	1
Assistant Administrator	1
Rental Clerk	1
Compliance Clerk	1
Receptionist	1
Janitors	2.5
Maintenance	4

2.5 MARKETING, WAITING LISTS AND RESIDENT SELECTION

The Resident Selection Criteria are a critical component of this Plan. Successful economic integration will be attained through the strict application of income requirements and applicable eligibility requirements of the Public Housing Units and all other units, and the consistent and nondiscriminatory application of the Resident Selection Criteria attached as Exhibit B.

(a) Nondiscrimination.

Federal, state and local fair housing laws apply uniformly to all units in the Property. All practices, in every aspect of the Plan and the Agent's activities, must not subject any person to discrimination prohibited by these laws, which currently prohibit discrimination based on race, color, creed, national or ethnic origin or ancestry, religion, sex, sexual preference, gender identity, age, disability, handicap, military status, source of income, marital status, presence of children in a household, acquired immune deficiency syndrome (AIDS) or AIDS-related conditions (ARC), or any other arbitrary basis.

(b) Unit Classification.

The initial size and type distribution of the units is as follows:

	Units	BR
One Bedroom	31	31
Two Bedroom	161	322
Three Bedroom	67	201
Four Bedroom	34	136
One Br Senior	48	48
TOTALS	341	738

(c) Waiting Lists.

1. The Housing Authority will revise its PHA Annual Plan in 2003 to allow for the option of a site-based waiting list for the Public Housing Units. If, for reasons beyond the control of the Housing Authority, the revised Plan is not approved, the Owner agrees to use the Housing Authority's public housing waiting list for such Public Housing Units.

2. The Housing Authority shall maintain the waiting list for all units in the Property subsidized by project-based Section 8 vouchers until such time that legislation allows for a site-based list. If and when legislation permits, the Agent will follow the approved Affirmative Fair Housing Marketing Plan ("AFHMP") to create a site-based waiting list for these units as well.

3. If a site-based waiting list for the Public Housing Units is approved pursuant to Section 2.5(c)(1) above, initially two separate waiting lists will be maintained at the Property for Public Housing Units as follows: (i) a list for residents of the Former Development who have "return rights" to the Public Housing Units as determined pursuant to Section 2.5 (these return rights expire 14 days after Final Notices are sent pursuant to Section 2.5 (d)(2) below), and (ii) a list for other applicants to all other non-Section 8 units.

(A) Each such waiting list will be subdivided based on household size types and the Target Income Distribution as set forth in the Regulatory and Operating Agreement. Each applicant family determined to be eligible will be placed on the waiting list for the unit size and type (or size and types) that the family requests, subject to standards and qualifications.

(B) After initial lease up, these two lists will collapse into a single waiting list subdivided by required preferences, household size and income targeting preferences.

(C) Pursuant to the approved Relocation Plan dated March 14, 2002, the order of each subdivided Relocatee waiting list will be determined on the basis of the chronological order of the dates on which the Relocatee applicants' tenancy at the Former Development ended (earliest dates first). Preferences found in ACOP, along with income targeting, will take precedence.

4. Accessible units will be offered to eligible families with disabilities requiring the accessibility features of the unit in accordance with 24 CFR Part 8, Section 8.27. If an accessible unit is offered to an applicant not having handicaps requiring the accessibility features of the unit, the Agent will require such applicant's lease to include a provision requiring such applicant to transfer to an available non-accessible unit if an applicant with disabilities requiring the accessibility features of such unit has been qualified as eligible and is to be offered a unit in the Property.

There will be a total of 18 accessible units broken down as follows:

Unit Type	#
1 Bedroom	8*
2 Bedroom	3
3 Bedroom	3
4 Bedroom	4

* Including 6 units in the senior building.

(d) Required Waiting List Notices.

If site-based waiting lists for the ACC Replacement Units and the Section 8 units are not approved pursuant to Sections 2.5(c)(1) and 2.5(c)(2) above, the Housing Authority agrees to provide waiting list and applicant notices as detailed in Exhibit A.

In no event will the Owner be required to hold a unit off the market for more than sixty calendar (60) days following Agent's notice to Housing Authority of unit availability in accordance with the HUD approved Administrative Plan. If the Housing Authority does not provide an eligible household within sixty (60) calendar days, the Owner may select a household from its own waiting list. This applies to ACC and Section 8 units. (Subject to further negotiation)

Notices of unit availability will be provided by Agent to the Housing Authority's designated staff person by e-mail and/or fax. The notice will include the unit size, income restriction, date of availability, and any special design features.

(e) Occupancy Standards.

Occupancy standards for the Public Housing Units will be set per HUD regulations as follows:

No. Of Persons	Minimum No. Of Bedrooms	Maximum No. Of Bedrooms
1	1	1
2	1	2
3	2	3
4	2	4
5	3	5
6	3	5
7	4	5
8	4	5

The Non-Public Housing units will have a maximum occupancy of 2 persons per bedroom plus one.

(f) Relocatee Application Requirements.

Each Relocatee family certified by the Housing Authority as a Relocatee in good standing and included on the list of Relocatee Households certified as Residents in Good Standing pursuant to Section 2.5(i)(1), must submit to the Agent a completed signed application within 14 days of receiving an application from Agent. The application shall include all required consent forms for release of information pertinent to income eligibility determination on forms furnished by the Agent and approved by the Owner.

(g) Income and Other Eligibility Qualifications – Public Housing Units.

Applicants who apply for admission to any Public Housing Unit must meet, to the Housing Authority's satisfaction, eligibility tests set forth herein before any further screening steps are taken regarding selection criteria. These requirements cannot be waived, nor are they subject to mitigating circumstances.

1. An applicant for admission to a Public Housing Unit must meet all statutory eligibility requirements for admission to public housing, except to the extent that any such requirements may be made inapplicable to, or modified with respect to, units in a mixed-finance development. At that date of this Plan, such requirements include the following:

(A) The applicant must meet the definition of a family as defined in applicable federal regulations;

(B) The applicant must be an income-eligible family, which shall mean a family whose annual income does not exceed the applicable low-income family income limit for the family size in the area as published annually by HUD;

(C) The applicant must provide evidence of a Social Security number for each family member 6 years or older, or certification that a household member has never been assigned a Social Security number, as required by 24 CFR Part 5;

(D) The applicant must provide evidence of eligible status with respect to citizenship or non-citizen immigration status, as required pursuant to Section 214 of the Housing and Community Development Act of 1980.

(E) A single person who is not an elderly or displaced person, or a person with disabilities, constitutes a family, but such a person cannot be provided a Unit with two or more bedrooms, nor can a person who is the sole remaining member of a resident family be provided a Unit with two or more bedrooms. See 24 CFR Sec. 5.405(c).

2. Except for the ACC Replacement Units (Non-Tax Credit), applicants must meet the income limits of Section 42 of the Internal Revenue Code on all Tax-Credit units, as reflected in and determined in accordance with the Tax Credit Regulatory Agreement. The Agent will seek third party verification in conformance with the Tax Credit Regulatory Agreement and requirements and good business practice as agreed to by the Owner.

3. A household which consists entirely of full-time students (as defined in Section 151(c)(4) of the IRC), not one of whom is entitled to file a joint federal income tax return, is not eligible to occupy a unit. However, this exclusion does not prevent a unit from being occupied by (A) an individual who is (i) a student and receiving assistance under Title IV of the Social Security Act, or (ii) enrolled in a job training program receiving assistance under the Job Training Partnership Act or under similar federal, state, or local laws, or (B) entirely by full-time students if such students are (i) single parents and their children and such parents and children are not dependents of another individual, or (ii) married and filing a joint federal income tax return, subject to the Tax Credit Regulatory Agreement. This does not apply to the non-tax credit units and will be waived.

4. Notwithstanding anything in this Plan to the contrary, no applicant to a Public Housing Unit, including no Relocatee, who is barred from admission to or from remaining in public housing under the Act, federal law, rules, or regulations or under policies or rules of the Housing Authority, including its Admissions and Common Occupancy Policy and the project's Resident Selection Criteria, as amended from time to time, shall be admitted to occupy the Property. Persons barred under the Act and 24 CFR Part 5 include:

(A) Any individual who is subject to a lifetime registration requirement under a state sex offender registration program (See Section 578(a) of the Quality Housing and Work Responsibility Act of 1998, referred to hereinafter as "QHWRA"); and

(B) Any person who has been convicted of manufacturing or producing methamphetamine (commonly referred to as "speed") (See Section 16(f) of the Act, as amended by Section 428 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act for 1999).

5. Any tenant evicted from federally assisted housing by reason of drug-related criminal activity shall not be eligible for federally assisted housing during the 20-year period beginning on the date of such eviction, unless the evicted tenant successfully completes a rehabilitation program approved by the Owner via the Agent (See Section 576(a) of QHWRA).

6. Subject to other applicable provisions of law, the Agent and the Housing Authority shall establish standards that prohibit admission to a Public Housing Unit on the Property to any household with a member:

(A) who the Agent or the Housing Authority determines is illegally using a controlled substance;

(B) with respect to whom the Agent or the Housing Authority determines that it has reasonable cause to believe that such household member's illegal use (or pattern of illegal use) of a controlled substance, or abuse (or pattern of abuse) of alcohol, may interfere with the health, safety, or right to peaceful enjoyment of the Property by other residents.

In determining whether to deny admission to a Public Housing Unit in the Property based on a pattern of illegal use of a controlled substance or a pattern of abuse of alcohol by a household member, the Agent or the Housing Authority may consider whether such household member has successfully been rehabilitated, is participating in rehabilitation, or has otherwise been rehabilitated (See Section 576 (b)(1) and (2) of QHWRA).

7. Persons determined to be engaged in criminal activity may be denied admission to a unit in the Property.

(h) Relocatee Applicants in Good Standing.

Relocatee applicants must be in good standing as determined by the Housing Authority in order to be considered for admission to occupancy of any unit in the Property. The conditions for good standing are:

1. That the applicant not have an unpaid balance owing to the Housing Authority without a stipulated repayment agreement within the time frame reviewed under the Screening Criteria;

2. That the applicant have the ability to obtain service from utility companies;

3. That the applicant not have been convicted of a felony after the date of initial notification of relocation provided by SFHA through the time of Owner's screening, excluding any matters currently under investigation;

4. That the applicant has complied with all provisions of the Housing Authority lease including criminal activity prohibition;

5. That the applicant has not been found guilty of fraud as indicated in the applicant's file with the Housing Authority or as information is sent from federal or state agencies.

(i) Admission of Relocatees to Units.

1. Relocatee List. The Housing Authority will provide to the Owner, and the Owner shall provide to the Agent, not later than 6 months prior to anticipated initial occupancy, a list of Relocatees certified as residents to be in good standing, as defined in Section 2.5(h) above. This list shall be referred to hereinafter as the "Relocatee Households Certified as Residents in Good Standing" and shall identify each household by (a) the name of the head of the household, (b) the current family composition, (c) the date of commencement of the

household's tenancy at the Former Development, (d) the date the household moved off site, (e) the household's income as of its last certification date, (f) qualified unit size, (g) need for reasonable accommodation, and (h) contact information. If the Housing Authority fails to provide the Agent with the Relocatee Households Certified as Residents in Good Standing List by no later than 6 months prior to occupancy, or such later date as mutually agreed upon by the parties or upon written request by Agent, the Agent will be permitted to process applications of Non-Relocatees in order to achieve full occupancy.

2. Screening. The Agent will commence acceptance of final applications for permanent relocation or admission to the Property in accordance with Exhibit A. Using the Relocatee Households Certified as Residents In Good Standing List received by the Housing Authority, the Owner will instruct the Agent to send out property applications to each household on the list. Based on final signed applications received from Relocatee applicants and third party verifications and reports obtained by the Agent pursuant thereto, the Agent will determine (i) that the Relocatee applicant family meets the screening criteria, or (ii) that the Relocatee applicant family fails to meet the eligibility criteria.

3. Resident Selection Criteria. The intent underlying the application of the Resident Selection Criteria is that a Relocatee applicant shall not be rejected unless the information available with respect to such applicant demonstrates that such applicant would be likely to interfere with other tenants in such a manner as to diminish their enjoyment of the premises by adversely affecting their health, safety or welfare or their physical environment or the financial performance of the Property if such applicant were admitted. The criteria which will be used to screen Relocatee applicants for admission to Public Housing Units in the Property is outlined in Section 2.5 and the Resident Selection Criteria (Exhibit B).

4. Subject to the provisions of this Section 2.5, residents of the Former Development who have been temporarily relocated by the Housing Authority due to demolition of the Former Development have a first right of return to the Replacement Units. Such applicants will be given 14 days to accept an offer of an appropriately sized unit. No applicant, will be offered a Public Housing Unit until all Relocatee families in good standing as certified on the final SFHA list provided at the fourth month of Exhibit A have been offered a unit .

Final offers will be issued 60 calendar days prior to the date the unit offered will be available. The household receiving a final offer will be given 14 days to accept or reject the offer. If they fail to accept the final offer their first right of return is void, however, their priority for future available units does not expire. They will remain on the SFHA Priority List for subsequent unassigned vacancies.

(j) Mayor's Office of Housing Units (Non-Section 8).

The Mayor's Office of Housing Units (Non-Section 8) will be marketed in accordance with the approved AFHMP. Applications will be processed by random drawing order subject to the Resident Selection Criteria (attached in Exhibit B) and a site-based waiting list will be established by household size. The Housing Authority may provide notice of the

availability of applications for the units to its clients, and all such notices must meet the Owner-designated application time lines described above.

2.6 LEASE ENFORCEMENT

(a) The Agent will assure full compliance with the terms of the lease for all residents. All provisions of the rental agreement will be explained thoroughly by the Agent's on-site staff members prior to the execution of the lease. All Households units will pay a security deposit in an amount set forth by the Owner, which shall be, at a minimum, Two Hundred Fifty Dollars ($250). Voluntary lease compliance will be emphasized.

(b) Subject to the grievance procedures attached in Exhibit C the Agent will lawfully terminate any tenancy when there is sufficient cause (including, but not limited to, nonpayment of rent) for such termination under terms of resident's lease. Activities that will cause termination of a resident's lease also include, but are not limited to, the following: (i) any activity that threatens the health, safety or right to peaceful enjoyment of any of the premises or other residents or North Beach Place employees: or (ii) any drug-related criminal activity on or off the Property. The Agent may, in its sole discretion, permit the family to stay in its unit if the Head of Household agrees that the offending household member(s) shall not reside at, visit the premises, and shall not be invited or allowed onto the development. The public housing units are subject to the Housing Authority's "Zero Tolerance" policy for illegal drug activity pending judicial review.

(c) The Agent will consult with legal counsel to bring actions for eviction and to execute notices to vacate and judicial pleadings incident to such actions; provided, however, that the Agent shall keep the Owner informed of such actions and follow such instructions as the Owner may prescribe for the conduct of any such action. Attorneys' fees and other necessary costs incurred in connection with such actions will be paid out of the North Beach Place Operating Account (as defined in Section 2.2(c)(6) above) as Property expenses.

(d) The Agent will provide written notice of lease termination in accordance with the provisions of the applicable lease form and with any applicable requirements of local law. If a resident requests a hearing pursuant to the Grievance Procedures: Public Housing Units, involving the amount of rent, additional rent or other charges specified in the lease which the Owner claims is due, the resident shall deposit with the Housing Authority, if the Housing Authority so desires, in escrow, the amount of any rent, additional rent, or other charges claimed by the Owner to be due, and shall thereafter deposit the same amount of monthly rent, additional rent, and other charges in escrow monthly until the grievance is resolved by decision of the hearing officer. Unless waived by the Owner, the failure to make such payments in escrow shall result in termination of the grievance procedure with respect to the resident.

2.7 MAINTENANCE AND REPAIR

The Agent will maintain the Property in good repair in accordance with this Plan and local codes and in condition at all times acceptable to the Owner, subject to the availability of operating funds and approval requirements set forth in this Plan and the Management

Agreement. This will include, but not be limited to, exterior and interior cleaning (not to include the cleaning of individual occupied units), painting, decorating, plumbing, electrical, mechanical, carpentry, grounds care, and other normal maintenance and repair work necessary to maintain the Property and the welfare of the residents.

Incident thereto, the following provisions will apply:

(a) The Agent will complete routine and preventive maintenance activities in the most cost-effective and efficient manner possible.

(b) The Agent will contract for extraordinary repairs as provided in the Management Agreement.

(c) The Agent will systematically investigate all service requests from residents, take such action thereon as may be justified, and keep records of the same. The Agent and Housing Authority will use its best efforts to attend to service work requests within one business day of receipt of the request. Serious complaints regarding the condition of the Property shall be reported to the Owner for investigation.

(d) The Agent is authorized to purchase all materials, equipment, tools, appliances, supplies and services reasonably necessary for proper maintenance and repair. The Agent will secure for and credit to the Owner any discounts, commissions or rebates obtained as a result of such purchases.

(e) Notwithstanding any of the foregoing provisions, the prior approval of the Owner will be required for any expenditure which exceeds Two Thousand and Five Hundred ($2,500) for labor, materials, services, or other in connection with the maintenance and repair of the Property, except for recurring expenses within the limits of the approved annual budget or emergency repairs involving manifest danger to person or property or required to avoid suspension of any necessary service to the Property. Emergency repairs undertaken without the approval must be reported to the Owner as promptly as possible.

2.8 UTILITIES AND SERVICES

(a) The Agent and/or Owner will make site arrangements for water, electricity, gas, trash disposal, extermination services, cable television and telephone service. The Agent will make such contracts as may be necessary to secure such utilities and services, acting as agent for the Owner.

(b) All dwelling units will be individually metered for electricity. Residents will contract directly for electricity, cable television and telephone service. The Owner will be responsible for payment of water, garbage, gas and sewer charges.

2.9 OPERATING ACCOUNT

All disbursements from the Operating Account will be governed by the terms of the Management Agreement.

2.10 BUDGETS

Annual operating and reserve for replacement budgets for the Property for each development Fiscal Year will be approved by the Owner.

The Agent will (i) prepare and submit a recommended operating, reserve for replacements, and capital expenditures budget for each fiscal year not later than 60 days prior to the commencement of such fiscal year; and (ii) prepare and submit to the Owner, not later than 90 days before the scheduled submission thereof by the Owner to the Housing Authority, such budgets as may be required to be submitted by the Owner to the Housing Authority pursuant to the Regulatory and Operating Agreement. Recommended budgets submitted pursuant to clause (i) of the preceding sentence shall be approved or revised by the Owner not later than 45 days after submission thereof by the Agent. Approval timing also depends on the required timing for Investor approval of operating budgets.

The Owner will promptly inform the Agent of changes incorporated in the approved fiscal year budget and the Agent will keep the Owner informed of any anticipated deviation from the receipts or disbursements stated in the approved budget.

2.11 RECORDS AND REPORTS

The Agent will prepare all records and reports as outlined in the Management Agreement. The Agent will furnish to the Property a copy of the quarterly report required to be furnished to the Owner.

2.12 GRIEVANCE PROCEDURES

(a) Public Housing Residents are subject to the Grievance Procedure: Public Housing Units in Exhibit C.

(b) Non Public Housing Residents are subject to the Agent's Resident Grievance Procedure: Non Public Housing Units as attached in Exhibit C.

2.13 SOCIAL SERVICES PROGRAM

For Public Housing Units, the Agent will work with the Housing Authority's Social Services Program, the Owner, and existing local social agencies, and will maintain a list of resources that address the varying needs of the mixed income population of the Property. Where feasible, the Agent will enlist the support of resident and community organizations to serve the needs of the residents.

(a) For non-public housing units, the Agent will work with the Owner, and existing local social agencies, and will maintain a list of resources that address the varying needs

of the mixed income population of the Property. Where feasible, the Agent will enlist the support of resident and community organizations to serve the needs of the residents.

2.14 SECURITY

(a) The Agent understands the difficult balance of providing an environment that can maximize resident and local government involvement in steps to best promote safety for all who come on to the Property. The Agent will rigorously promote this involvement while meeting its own obligation to thoroughly screen applications and enforce lease compliance.

(b) The Agent will continue to enlist the residents, the local police department, and other local organizations in devising and implementing security initiatives that may include hiring private security or providing incentives for police officers to reside on the property.

(c) Neighborhood Advisory Committee.

1. The Agent intends to promote and participate in a neighborhood advisory committee to include, among others, resident representatives, community representatives, property owners or managers of adjacent properties, and representatives of local government.

2. The mission of such a committee should be to:

(A) Establish neighborhood security programs;
(B) Explore social service programs;
(C) Determine public improvement needs; and
(D) Explore the community issues.

SECTION 3 EQUAL OPPORTUNITY PROGRAM

The Agent shall fully comply with all equal opportunity laws, as outlined in Section 2.5(a) above, in renting apartments and in hiring employees and contractors. As matter of company policy, all employees of the Agent will abide by the spirit, as well as the letter, of those laws.

SECTION 4 NOTICES

Any notices required under this Plan and related Exhibits will be provided by email or fax to the party designated by the Agent and SFHA.

SECTION 5 AMENDMENT OF PLAN

This Plan shall be reviewed from time to time to maintain conformance with applicable federal, state and local laws, regulations and codes, and with current needs of the Property and its residents.

This Plan may not be amended except by an instrument in writing signed by the Agent and approved in writing by the Owner, the Housing Authority, and HUD. The Agent and, as appropriate, the Owner shall consult in good faith with the Housing Authority, and shall provide to the Housing Authority a reasonable opportunity to comment upon, any proposed amendment to this Plan.

[Signatures on Following Page]

OWNER

NORTH BEACH HOUSING ASSOCIATES, A CALIFORNIA LIMITED PARTNERSHIP

By: BRIDGE Housing Ventures, Inc., a California nonprofit public benefit corporation, its General Partner

By: _____ _____
Carol Galante, President Date

MANAGER

The John Stewart Company, a California Corporation

By: _____ _____
Loren Sanborn, Senior Vice President Date

HOUSING AUTHORITY

Housing Authority of the City of San Francisco, California, a public body, corporate and politic

By: _____ _____
Date

Its: _____

HOPE VI CONSTRUCTION/PERMANENT LOAN AGREEMENT

Between

Housing Authority of the City and County of San Francisco

and

_____, a California Limited Partnership

North Beach Place

DOCUMENTS DEPT.

DEC 18 2002

SAN FRANCISCO
PUBLIC LIBRARY

TABLE OF CONTENTS

Page

ARTICLE 1 DEFINITIONS AND EXHIBITS 2
Section 1.1 Definitions 2
Section 1.2 Exhibits 5

ARTICLE 2 LOAN PROVISIONS 5
Section 2.1 Loan. 5
Section 2.2 Interest 5
Section 2.3 Use of Loan Funds. 6
Section 2.4 Security. 6
Section 2.5 Conditions Precedent to Closing 6
Section 2.6 Conditions Precedent to Disbursement 7
Section 2.7 Repayment Schedule 8
Section 2.8 Non-Recourse. 8

ARTICLE 3 CONSTRUCTION OF THE DEVELOPMENT 9
Section 3.1 Permits and Approvals. 9
Section 3.2 Plans and Specifications. 9
Section 3.3 Construction Contract 10
Section 3.4 Construction Bonds 11
Section 3.5 Commencement of Construction. 11
Section 3.6 Completion of Construction. 11
Section 3.7 Construction Pursuant to Plans and Laws 11
Section 3.8 Marketing Plan. 12
Section 3.9 Equal Opportunity. 12
Section 3.10 Minority and Women-Owned Contractors. 13
Section 3.11 Progress Reports. 13
Section 3.12 Construction Responsibilities. 13
Section 3.13 Mechanics Liens, Stop Notices, and Notices of Completion 14
Section 3.14 Inspections. 14
Section 3.15 Approved Development Budget; Revisions to Budget. 14
Section 3.16 Developer Fee. 14
Section 3.17 Capital Contributions. 13
Section 3.18 Guaranty 15

ARTICLE 4 LOAN REQUIREMENTS 15
Section 4.1 Compliance with Lease, Regulatory and Operating Agreement. 15
Section 4.2 Special HUD Provisions 16
Section 4.3 Financial Accountings and Post-Completion Audits. 15
Section 4.4 Information. 16
Section 4.5 Records. 16
Section 4.6 Audits. 16
Section 4.7 HOPE VI Requirements. 16
Section 4.8 Hazardous Materials. 18
Section 4.9 Maintenance and Damage. 20

TABLE OF CONTENTS
(continued)

Page

Section 4.10 Fees and Taxes. 21
Section 4.11 Notice of Litigation. 22
Section 4.12 Operation of Development as Affordable Housing Rental Development 22
Section 4.13 Nondiscrimination 22
Section 4.14 Transfer. 22
Section 4.15 Insurance Requirements. 23

ARTICLE 5 DEFAULT AND REMEDIES 24
Section 5.1 Events of Default. 24
Section 5.2 Notice to Investor 25
Section 5.3 Right of Investor to Cure 26
Section 5.4 Limitation on Liability of Investor 27
Section 5.5 Remedies. 25
Section 5.6 Right of Contest. 28
Section 5.7 Remedies Cumulative. 28

ARTICLE 6 GENERAL PROVISIONS 28
Section 6.1 Relationship of Parties. 28
Section 6.2 No Claims. 28
Section 6.3 Amendments. 29
Section 6.4 Indemnification. 29
Section 6.5 Non-Liability of Authority Officials, Employees and Agents. 29
Section 6.6 No Third Party Beneficiaries. 29
Section 6.7 Discretion Retained By Authority. 29
Section 6.8 Conflict of Interest. 30
Section 6.9 Notices, Demands and Communications. 30
Section 6.10 Role of HUD 26
Section 6.11 Applicable Law. 31
Section 6.12 Parties Bound. 31
Section 6.13 Attorneys' Fees 31
Section 6.14 Severability. 31
Section 6.15 Force Majeure. 32
Section 6.16 Authority Approval. 32
Section 6.17 Waivers. 32
Section 6.18 Title of Parts and Sections. 32
Section 6.19 Entire Understanding of the Parties 33
Section 6.20 Multiple Originals; Counterpart 33
Section 6.21 Exhibits; Rider. 33

EXHIBIT A: Legal Description of the Property
EXHIBIT B: Approved Development Budget
EXHIBIT C: Deed of Trust

TABLE OF CONTENTS
(continued)

Page

EXHIBIT D: Intercreditor Agreement
EXHIBIT E: Promissory Note
EXHIBIT F: Affirmative Action Requirements
EXHIBIT G: Resident Hiring Plan

HOPE VI CONSTRUCTION/PERMANENT LOAN AGREEMENT (NORTH BEACH PLACE)

This HOPE VI Construction/Permanent Loan Agreement (the "Agreement") is entered into as of _____, 2002, by and between the Housing Authority of the City and County of San Francisco, a public body, corporate and politic ("Authority"), and North Beach Housing Associates, a California Limited Partnership ("Borrower"), with reference to the following facts:

A. The Authority is the owner of certain real property located in the City and County of San Francisco, California, on which was previously located the 229-unit public housing complex known as the North Beach Projects.

B. Borrower is a California limited partnership duly formed and authorized to do business in the State of California as North Beach Housing Associates, a California Limited Partnership, having as its initial general partner BRIDGE Housing Ventures, Inc., a California nonprofit public benefit corporation ("BRIDGE").

C. Authority and United States Department of Housing and Urban Development ("HUD") have entered into that certain Urban Revitalization Demonstration Program (HOPE VI) Implementation Grant Agreement, dated as of May 16, 1997 (the "HOPE VI Grant Agreement"), providing for a grant in the amount of $20,000,000 to be made by HUD to Authority (the "HOPE VI Grant") to assist in the comprehensive revitalization of the North Beach Projects and the surrounding neighborhood, including the development of replacement public housing units, in partnership with third parties (the "Revitalization").

D. Authority has entered into a Disposition and Development Agreement dated as of March 12, 2002 (the "DDA"), with North Beach Development Associates, a California Limited Liability Company ("NBDA") as the developer, to undertake the development, construction and operation of the Revitalization. Pursuant thereto, NBDA has caused the Borrower to be organized.

E. The Revitalization is to occur on certain real property more particularly described herein (the "Property"). The Property is comprised of two separate parcels of land: one located between Mason, Taylor, Bay and Francisco streets (the "East Block Site"), and the other located between Taylor, Columbus, Bay and Francisco streets (the "West Block Site"), excepting from each parcel such portion as has been reserved by NBDA and the Authority for commercial development. The East Block Site and the West Block Site are more particularly described on Exhibit A, attached hereto, and may be referred to collectively herein as the Property. The Property and the improvements thereon are referred to herein as the "Development".

F. Borrower intends to construct three hundred forty-one (341) units of affordable housing on the Property, of which three hundred thirty-six (336) will be tax credit rental housing

and of which one-hundred thirty-eight (138) units are "PHA-Assisted Units", as that term is defined below.

G. Pursuant to the Predevelopment Loan Agreement between NBDA and the Authority, as defined herein, the Authority agreed to loan Five Million Two Hundred Twenty-Four Thousand Ninety-Eight Dollars ($5,224,098) to the Borrower to finance certain predevelopment activities in connection with the Development (the "Predevelopment Loan"). Approximately _____ Dollars ($_____) of these funds have already been disbursed to Borrower.

H. Pursuant to a ground lease between Authority and Borrower (the "Lease"), the Authority will lease the Property to Borrower and Borrower will hold a fee interest in the improvements to be constructed on the Property.

I. In furtherance of the Disposition and Development Agreement, Borrower wishes to borrow from Authority and Authority wishes to extend to Borrower a loan of Fourteen Million Four Hundred Eighty-Eight Thousand Four Hundred Seventeen Dollars ($14,488,417) of HOPE VI Funds to assist in the construction of the Development (the "HOPE VI Loan"). The HOPE VI Loan will be evidenced by a promissory note executed by Borrower in favor of Authority, which will be secured by a deed of trust to be recorded against the leasehold estate in the Property. The HOPE VI Loan will replace and supersede the Predevelopment Loan. The Parties acknowledge that, pursuant to an option agreement to be executed at or about the time of this Agreement, the Authority anticipates exercising an option to purchase Borrower's interest in the Property at the end of the tax credit compliance period.

NOW, THEREFORE, the Parties agree as follows:

ARTICLE 1 DEFINITIONS AND EXHIBITS

Section 1.1 Definitions

The following capitalized terms have the meanings set forth in this Section 1.1 wherever used in this Agreement, unless otherwise provided:

(a) "ACC" shall mean that certain Consolidated Annual Contributions Contract dated August 1, 1996, by and between HUD and Authority, as amended from time to time including, specifically, as amended by a Mixed Finance Amendment to Consolidated Annual Contributions Contract related to the Development and dated simultaneously herewith.

(b) "Act" shall mean the United States Housing Act of 1937, as amended and as may hereafter be amended from time to time, or any successor legislation;

(c) "Agreement" shall mean this HOPE VI Loan Agreement.

(d) "Approved Development Budget" shall mean the proforma development budget, including sources and uses of funds, as approved by the Authority, and attached hereto and incorporated herein as Exhibit B.

(e) "Approved Financing" shall mean all of the following loans acquired by the Borrower and approved by the Authority for the purpose of financing the Development, in addition to the HOPE VI Loan.

(i) Affordable Housing Program ("AHP") loan from Citibank, F.S.B., a federal savings bank in the approximate amount of One Million Dollars ($1,000,000) (the "AHP Loan");

(ii) MOH loan in the approximate amount of Ten Million Dollars ($10,000,000), or such greater amount as may be approved (the "MOH Loan");

(iii) Low Income Housing Tax Credit ("LIHTC")/Investor Equity funds in the approximate amount of Forty-Eight Million Five Thousand Dollars ($48,005,000), approximately $10,657,110 of which will be provided during construction (the "Tax Credit Equity"); and

(iv) Construction loan in the approximate amount of Fifty Million Four Hundred Thousand Dollars ($50,400,000) (the "Construction Loan").

(f) "Authority" shall mean the Housing Authority of the City and County of San Francisco, a public body, corporate and politic.

(g) "Authority Declaration of Restrictions" means the Declaration of Restrictions imposed by the Authority on the ninety-one (91) Section 8 Replacement Units.

(h) "Borrower" shall mean North Beach Housing Associates, a California Limited Partnership.

(i) "BRIDGE" shall mean BRIDGE Housing Ventures, Inc., a California nonprofit public benefit corporation, the initial general partner of the Borrower.

(j) "Deed of Trust" shall mean the deed of trust that will encumber the Development to secure repayment of the Loan. The form of the Deed of Trust shall be in substantially the form attached hereto as Exhibit C.

(k) "Default" shall have the meaning set forth in Section 5.1 below.

(l) "Development" shall mean the Property and the three hundred forty-one (341) multifamily apartment units and attendant site improvements.

(m) "DDA" shall mean that certain Disposition and Development Agreement by and between NBDA and the Authority, dated as of March 12, 2002.

(n) "Hazardous Materials" shall have the meaning set forth in Section 4.8 below.

(o) "Hazardous Materials Claim" shall have the meaning set forth in Section 4.8 below.

(p) "Hazardous Materials Law" shall have the meaning set forth in Section 4.8 below.

(q) "HOPE VI Funds" shall mean the Fourteen Million Four Hundred Eighty-Eight Thousand Four Hundred Seventeen Dollars ($14,488,417) that HUD has made available to the Authority under the HOPE VI Grant Agreement, and that the Authority is lending to the Borrower pursuant to this Agreement to enable the Borrower to construct the Development.

(r) "HUD" shall mean the United States Department of Housing and Urban Development.

(s) "Intercreditor Agreement" shall mean the Intercreditor Agreement among the Authority, _____, the Borrower and the [administrative] limited partner of the Borrower concerning the Development. The form of the Intercreditor Agreement shall be in substantially the form attached hereto as Exhibit D.

(t) "Loan" shall mean the Authority loan to Borrower of the HOPE VI Funds pursuant to this Agreement in the total principal amount of Fourteen Million Four Hundred Eighty-Eight Thousand Four Hundred Eighteen Dollars ($14,488,417).

(u) "Loan Documents" shall mean this Agreement, the Note, the Deed of Trust, the Authority Declaration of Restrictions, the Regulatory and Operating Agreement, and the Intercreditor Agreement.

(v) "MOH" shall mean the San Francisco Mayor's Office of Housing;

(w) "MOH Loan Funds" shall mean the Ten Million Dollars ($10,000,000), or such greater amount as may be approved, that MOH is lending to the Borrower to enable the Borrower to construct the Development.

(x) "North Beach Housing , Inc." shall mean North Beach Housing Inc., a California nonprofit public benefit corporation, the permanent general partner of the Borrower.

(y) "Note" shall mean the promissory note that will evidence Borrower's obligation to repay the Loan. The form of the Note shall be in substantially the form attached hereto as Exhibit E.

(z) "PHA-Assisted Units" shall mean any rental housing units made subject to Public Housing Requirements and, in conformance therewith, qualified to receive HUD capital or operating funds.

(aa) "Parties" shall mean the Authority and Borrower.

(bb) "Predevelopment Loan" shall mean that predevelopment loan in the amount of $5,224,098 from the Authority to NBDA, evidenced by the Predevelopment Loan Agreement, as amended, dated as of December 15, 1999 and amended as of November 28, 2001.

(cc) "Property" shall mean the real property located in the City and County of San Francisco, California, more particularly described in the attached Exhibit A.

(dd) "Public Housing Requirements" shall mean the requirements of the Act and HUD regulations thereunder, the Quality Housing and Work Responsibility Act of 1998, Public Law 105-276, and regulations thereunder, the Mixed Finance Regulations at 24 CFR Part 941, any other federal laws and regulations thereunder pertaining to public housing, Executive Orders, the ACC, the HOPE VI Grant Agreement, the Regulatory and Operating Agreement, the Declaration of Trust and Restrictive Covenants, and all documents incorporated into any of them by amendment, exhibit, or reference, as those requirements may be waived or amended from time to time.

(ee) "Regulatory and Operating Agreement" shall mean the Regulatory and Operating Agreement of even date herewith by and between Authority and Borrower.

(ff) "Term" shall mean shall mean the term of the Loan, commencing on the date of this Agreement and continuing for fifty-five (55) years from the date of issuance of a Certificate of Occupancy by the City and County of San Francisco for all units in the Development.

(gg) "Transfer" shall have the meaning set forth in Section 4.14 below.

(hh) "Unit" means one of the three hundred forty-one (341) apartment units to be constructed on the Property.

Section 1.2 Exhibits

The following exhibits are attached to this Agreement and incorporated into this Agreement by this reference:

EXHIBIT A: Legal Description of the Property
EXHIBIT B: Approved Development Budget
EXHIBIT C: Deed of Trust
EXHIBIT D: Intercreditor Agreement
EXHIBIT E: Promissory Note
EXHIBIT F: Affirmative Action Requirements
EXHIBIT G: Resident Hiring Plan

ARTICLE 2 LOAN PROVISIONS

Section 2.1 Loan.

The Authority shall loan to the Borrower the Loan in the principal amount of Fourteen Million Four Hundred Eighty-Eight Thousand Four Hundred Seventeen Dollars ($14,488,417) for the purposes set forth in Section 2.3 of this Agreement. The obligation to repay the Loan shall be evidenced by a Note in the form attached as Exhibit E.

Section 2.2 Interest.

(a) Subject to the provisions of Section 2.2(b) below, the outstanding principal balance of the Loan shall accrue interest at a rate of three percent (3%) per annum during the term of this Agreement, except as provided in Section 2.2(b) herein.

(b) In the event of a Default, interest on the Loan shall begin to accrue, as of the date of Default and continuing until the earlier of such time as the Loan funds are repaid in full or the Default is cured, at the default rate of the lesser of ten percent (10%), compounded annually, or the highest rate permitted by law.

Section 2.3 Use of Loan Funds.

(a) The Borrower shall use the Loan Funds to pay development costs of the Development during the construction phase, consistent with the Approved Development Budget, and as part of the permanent financing of the Development.

(b) The Borrower shall not use the Loan Funds for any other purpose without the prior written consent of the Authority.

(c) The Predevelopment Loan funds loaned to the Borrower, pursuant to the Predevelopment Loan Agreement and evidenced by the Predevelopment Note, are a portion of the HOPE VI Loan. Upon execution of the Loan Documents and recordation of the Deed of Trust, the note evidencing the Predevelopment Loan shall be cancelled and returned to the Borrower.

Section 2.4 Security.

(a) Borrower shall secure its obligation to repay the Loan, as evidenced by the Note, by executing the Deed of Trust, and recording it as a lien against the Property. The Deed of Trust shall be junior in lien priority to the deed of trust securing the First Construction Loan.

(b) The Authority agrees to subordinate the Deed of Trust to the lien of the deed of trust securing the First Construction Loan, provided the Authority receives adequate notice and cure rights and pursuant to a subordination agreement in a form approved by the Authority.

(c) The Authority and Borrower hereby acknowledge that this Agreement and the Loan are subject to all HUD requirements as set forth in Section 4.2 of this Agreement.

Section 2.5 Conditions Precedent to Closing.

The maximum amount of funds to be disbursed pursuant to this Section 2.5 shall not exceed Fourteen Million Four Hundred Eighty-Eight Thousand Four Hundred Seventeen Dollars ($14,488,417). The sum of $_____ is deemed disbursed as of the date hereof to repay the Predevelopment Loan. The Authority shall not be obligated to proceed with the Closing under the Loan Documents unless the following conditions precedent are satisfied:

(a) There exists no Default nor any act, failure, omission or condition that would constitute an event of Default under this Agreement;

(b) Borrower has executed and delivered to Authority all documents, instruments, and policies required under the Loan Documents;

(c) A title insurer reasonably acceptable to the Authority is unconditionally and irrevocably committed to issuing an ALTA Lender's Policy of insurance insuring the priority of the Deed of Trust in the amount of the Loan, subject only to such exceptions and exclusions as may be reasonably acceptable to the Authority, and containing such endorsements as the Authority may reasonably require.

(d) The Declaration of Trust and Restrictive Covenants and the Regulatory and Operating Agreement have been recorded against the Property in the Office of the Recorder of the County of San Francisco and have priority over the Deed of Trust as restrictions on title;

(e) The Authority has completed and approved all environmental reviews under the National Environmental Protection Act, 42 U.S.C. § 4321 et seq., ("NEPA") and the California Environmental Quality Act, Public Resources Code § 21000 et seq., ("CEQA") as necessary for the acquisition of the Property and construction of the Development, and Borrower has provided the Authority evidence of compliance with all approved NEPA and CEQA requirements and mitigation measures.

(f) Borrower has furnished the Authority with evidence of the insurance coverage meeting the requirements of Section 4.15 below.

(g) The Authority has received and approved the final plans and specifications for the Development, as required pursuant to Section 3.2 below.

(h) The Authority has received and approved all contracts that the Borrower has entered or proposed to enter for construction of the Development as required pursuant to Section 3.3 below.

(i) The Authority has received copies of labor and material (payment) bonds and performance bonds as required pursuant to Section 3.4 below.

(j) Borrower has closed all Approved Financing described in Section 1.1(e).

(k) The Borrower has submitted to, and received the approval of, HUD and the Authority, with respect to all evidentiary documents related to the HOPE VI funds, including but not limited to the Declaration of Trust and Restrictive Covenants, Regulatory and Operating Agreement, Lease, Management Plan, Management Agreement, Mixed Finance Proposal and Mixed Finance Amendment to the ACC.

Section 2.6 Conditions Precedent to Disbursement.

The Authority will use its best efforts to disburse the Loan proceeds under each draw request within thirty (30) calendar days after receipt of a properly completed draw request with all necessary supporting documentation. Notwithstanding the foregoing, the Authority shall not be obligated to make any disbursements of Loan proceeds or take any other action under the Loan Documents unless the following conditions are satisfied prior to each such disbursement of the Loan:

(a) All requirements set forth in Section 2.5 have been and continue to be satisfied and there is no Default by the Borrower.

(b) The undisbursed proceeds of the Loan, together with other funds or firm commitments for funds that the Borrower has obtained in connection with the Development, are not less than the amount that the Authority reasonably determines is necessary to pay for development of the Development in accordance with the Approved Development Budget.

(c) The Authority determines, in its reasonable discretion, that the construction work performed in connection with the Development is in substantial compliance with Construction Plans, as that term is defined in Section 3.2 of this Agreement and that such work is being performed in a timely manner.

(d) The Authority has received a written draw request from the Borrower in accordance with the Intercreditor Agreement.

(e) The Borrower has made full repayment of the commercial component of the Predevelopment Loan made by the Authority and received by NBDA.

(f) The Borrower has drawn down the proceeds, subject to any required retention, of the MOH Loan.

(g) The Authority has satisfied all conditions precedent to draw down the HOPE VI Grant funds, as provided in the HOPE VI Grant Agreement, and has received authorization from HUD to draw down such funds from its federal line of credit.

Section 2.7 Repayment Schedule.

The Loan shall be repaid as follows:

(a) The Loan and this Agreement shall have a term (the "Term") that expires on the date fifty-five (55) years from the date of completion, which shall be determined by the date of issuance of a Certificate of Occupancy for all units in the Development.

(b) All principal and accrued interest on the Loan shall be due in full on the earlier to occur of (i) the date of any Default, and (ii) the expiration of the Term.

(c) The Borrower shall have the right to prepay the Loan in full at any time.

Section 2.8 Non-Recourse.

Except as provided below, neither the Borrower nor any partner of the Borrower shall have any direct or indirect personal liability for payment of the principal of, or interest on, the Loan or the performance of the covenants of the Borrower under the Loan Documents. The sole recourse of the Authority with respect to the principal of, or interest on, the Note and defaults by Borrower in the performance of its covenants under the Loan Documents shall be to the property described in the Deed of Trust; provided, however, that nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement against all such security for the

Note of all the rights and remedies of the Authority thereunder, or (b) be deemed in any way to impair the right of the Authority to assert the unpaid principal amount of the Note as demand for money within the meaning and intendment of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto. The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on the Note and the performance of the Borrower's obligations under the Deed of Trust, except as hereafter set forth; nothing contained herein is intended to relieve the Borrower of its obligation to indemnify the Authority under Sections 4.7 and 6.4 of this Agreement, or liability for (i) fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges which may create liens on the Property that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the fair market value of any personal property or fixtures removed or disposed of by Borrower other than in accordance with the Deed of Trust; and (iv) the misappropriation of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property.

Section 2.9 Ownership.

The Borrower agrees to, within 90 days following the Closing, submit an application to the Internal Revenue Service ("IRS") to obtain 501(c)(3) tax-exempt status for North Beach Housing, Inc., a California nonprofit public benefit corporation. The Borrower further agrees to replace its initial general partner with North Beach Housing, Inc. upon (a) receipt of written determination from the IRS of North Beach Housing, Inc.'s 501(c)(3) tax-exempt status, and (b) repayment of the First Construction Loan.

ARTICLE 3 CONSTRUCTION OF THE DEVELOPMENT

Section 3.1 Permits and Approvals.

As of the date of this Agreement, Borrower has applied for Authority approval of a Final Development Plan for the Development. All permits and approvals necessary for the commencement of construction of all Units on the Property must be received no later than _____, 2002, or such later time as allowed by TCAC, or the Authority, at its option, and with thirty (30) days written notice and opportunity to cure, may declare Borrower in default hereunder.

Section 3.2 Plans and Specifications.

(a) Simultaneously with submission to the City and County of San Francisco Department of Building Inspection (the "City Building Department") of each Addendum to the Site Permit that was issued by the City Building Department on _____, 2002, Borrower shall submit to the Authority a copy of the Construction Plans for the Development submitted with that Addendum. As used in this Agreement, "Construction Plans" shall mean the plans approved by the City Building Department for the Site Permit and all Addenda to the Site Permit, upon which Borrower and Borrower's Contractor shall rely in building all the improvements on the Property (including the Units, landscaping, parking, and common areas) and shall include, but not necessarily be limited to, final architectural drawings, landscaping

plans and specifications, final elevations, building plans and specifications (also known as "working drawings").

(b) The Authority shall, if the Construction Plans submitted conform to the provisions of this Agreement, approve in writing such Construction Plans. Unless rejected by the Authority for their failure to comply with the foregoing requirements within twenty-one (21) days of submission by Borrower, said Construction Plans shall be deemed accepted; provided, however, that after the commencement of construction, any construction documentation submitted to the Authority for its approval shall be deemed approved if not reasonably disapproved within seven (7) days following receipt by the Authority. Approval of the Construction Plans by the Authority shall not relieve Borrower's obligation to obtain any and all approvals required by the City Building Department.

(c) If rejected by the Authority in whole or in part, Borrower shall submit new or corrected Construction Plans. The Authority shall then have fifteen (15) days to review and approve Borrower's new or corrected Construction Plans; provided, however, that after the commencement of construction, any construction documentation submitted to the Authority for its approval shall be deemed approved if not reasonably disapproved within seven (7) days following receipt by the Authority. The provisions of this Section relating to time periods for approval, rejection, or resubmission of new or corrected Construction Plans shall continue to apply until the Construction Plans have been approved by the Authority. Nothing in this section shall affect Borrower's obligation to obtain any and all approvals of the Construction Plans required by the City Building Department.

Section 3.3 Construction Contract; Development Costs

(a) Prior to Closing, the Borrower shall submit to the Authority for its approval the proposed construction contract for the Units and the Authority shall have approved such contract. All construction work and professional services shall be performed by persons or entities licensed or otherwise authorized to perform the applicable construction work or service in the State of California. Each contract that the Borrower enters for construction of the Development shall provide that at least ten percent (10%) of the costs incurred, not including bond or other soft costs, shall be payable only upon completion of construction, subject to early release of retention for specified subcontractors upon approval by the Authority. The construction contract shall include all applicable HOPE VI requirements. The Authority's approval of the construction contract shall in no way be deemed to constitute approval of or concurrence with any term or condition of the construction contract except as such term or condition may be required by this Agreement.

(b) Upon receipt by the Authority of the proposed construction contract, the Authority shall promptly review same and approve or disapprove it within ten working (10) days. If the construction contract is not approved by the Authority, the Authority shall set forth in writing and notify the Borrower of the Authority's reasons for withholding such approval. The Borrower shall thereafter submit a revised construction contract for Authority approval, which approval shall be granted or denied in ten (10) working days in accordance with the procedures set forth above. Any construction contract executed by the Borrower for the Development shall be in the form approved by the Authority.

Section 3.4 Construction Bonds.

Prior to commencement of construction of the Development, the Borrower shall deliver to the Authority copies of labor and material (payment) bonds and performance bonds, or a dual bond which covers both payment and performance obligations, in a penal sum each of not less than one hundred percent (100%) of the scheduled hard costs of construction of the Development, and one hundred percent (100%) payment bond. Said bonds shall be issued by an insurance company which is licensed to do business in California and has a rating equivalent to AAA or AA+ by an insurance company in the current year's Federal Register or as otherwise approved by the Authority. The bonds shall name the Authority as a co-obligee or assignee.

Section 3.5 Commencement of Construction.

Borrower shall cause the commencement of construction of the Development by the later of _____, 2002 or such time as allowed by TCAC.

Section 3.6 Completion of Construction.

Borrower shall diligently prosecute construction of the Development to completion, and shall cause the completion of the construction of the Development no later than December 31, 2004, or such later date as allowed by TCAC. As used in this Section 3.6, "completion of construction" shall be defined as issuance of certificates of occupancy, or equivalent sign-off from the City Building Department, for all of the Units.

Section 3.7 Construction Pursuant to Plans and Laws.

(a) Borrower shall construct the Development in substantial conformance with the plans and specifications approved by the City Building Department. Borrower shall notify the Authority in a timely manner of any changes in the work required to be performed under this Agreement, including any additions, changes, or deletions to the plans and specifications approved by the Authority. A written change order authorized by the Authority must be obtained before any of the following changes, additions, or deletions in work for the Development may be performed: (1) any change in the work the cost of which exceeds Twenty-Five Thousand Dollars ($25,000); or (2) any set of changes in the work the cost of which cumulatively exceeds One Hundred Thousand Dollars ($100,000) or ten percent (10%) of the Loan amount, whichever is less; or (3) any material change in building materials or equipment, specifications, or the structural or architectural design or appearance of the Development as provided for in the plans and specifications approved by the Authority. Any written change order submitted to the Authority for its approval shall be deemed approved if not reasonably disapproved within seven (7) days following receipt by the Authority; provided that approval of such change orders by the Authority shall not increase the Authority's liability or obligations under this Agreement. Consent to any additions, changes, or deletions to the work shall not relieve or release Borrower from any other obligations under this Agreement, or relieve or release Borrower or its surety from any surety bond.

(b) Borrower shall cause all work performed in connection with the Development to be performed in compliance with (i) all applicable laws, ordinances, rules and regulations of

federal, state, Authority or municipal governments or agencies now in force or that may be enacted hereafter, including (without limitation and where applicable) the prevailing wage provisions of the federal Davis-Bacon Act and implementing rules and regulations, (ii) the HUD quality standards set out in 24 CFR 882.109 and the cost-effective and energy conservation and effectiveness standards in 24 CFR 39, and (iii) all directions, rules and regulations of any fire marshal, health officer, building inspector, or other officer of every governmental agency now having or hereafter acquiring jurisdiction. The work shall proceed only after procurement of each permit, license, or other authorization that may be required by any governmental agency having jurisdiction for the construction work then being undertaken, and Borrower shall be responsible to the Authority for the procurement and maintenance thereof, as may be required of Borrower and all entities engaged in work on the Development.

Section 3.8 Marketing Plan.

(a) No later than six (6) months prior to the projected date of the completion of the Development, Borrower shall submit to the Authority for approval its plan for marketing the Development to income-eligible households as required pursuant to the Management Plan and applicable Public Housing Requirements, including information on affirmative marketing efforts and compliance with fair housing laws.

(b) Upon receipt of the Marketing Plan, the Authority shall promptly review the Marketing Plan and shall approve or disapprove it within thirty (30) days after submission. If the Marketing Plan is not approved, Borrower shall submit a revised Marketing Plan within thirty (30) days which shall be responsive to the reasons given by Authority for disapproval of the original Marketing Plan and continue to negotiate in good faith to arrive at an agreed upon plan.

Section 3.9 Equal Opportunity.

The Borrower, for itself and its successors and assigns, and transferees agrees that in the construction of the Development:

(a) It will not discriminate against any employee or applicant for employment because of race, color, religion, creed, national origin, ancestry, disability, medical condition, age, marital status, sex, sexual preference/orientation, Acquired Immune Deficiency Syndrome (AIDS) acquired or perceived, or retaliation for having filed a discrimination complaint (nondiscrimination factors). The Borrower will take affirmative action to ensure that applicants are considered for employment by the Borrower without regard to the nondiscrimination factors, and that Borrower's employees are treated without regard to the nondiscrimination factors during employment including, but not limited to, activities of: upgrading, demotion or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Borrower agrees to post in conspicuous places, available to its employees and applicants for employment, the applicable nondiscrimination clause set forth herein:

(b) It will ensure that its solicitations or advertisements for employment are in compliance with the aforementioned nondiscrimination factors; and

(c) It will cause the foregoing provisions to be inserted in all contracts for the construction of the Development entered into after the effective date of this Agreement; provided, however, that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.

Section 3.10 Minority and Women-Owned Contractors.

(a) Borrower will use its best efforts to afford minority-owned and women-owned business enterprises the maximum practicable opportunity to participate in the construction of the Development. Borrower shall, at a minimum, notify applicable minority-owned and women-owned business firms located in the City of bid opportunities for the construction of the Development. A listing of minority-owned and women-owned businesses located in the City and neighboring counties is available from the Authority. Documentation of such notifications shall be maintained by Borrower and available to the Authority as requested.

(b) Borrower will comply with the Authority's Affirmative Action Requirements attached hereto as Exhibit F.

(c) Borrower will comply with the Authority's Resident Hiring Plan, attached hereto as Exhibit G.

Section 3.11 Progress Reports.

Until such time as Borrower has completed the Development, Borrower shall provide the Authority with monthly progress reports regarding the status of the construction of the Development, including a certification that the actual construction costs to date conform to the Approved Development Budget, as it may be amended from time to time pursuant to Section 3.15 below. This provision shall be satisfied by submission of the monthly draw request, or a copy thereof, to the Authority.

Section 3.12 Construction Responsibilities.

(a) It shall be the responsibility of Borrower to coordinate and schedule the work to be performed so that commencement and completion of construction will take place in accordance with this Agreement.

(b) Borrower shall be solely responsible for all aspects of Borrower's conduct in connection with the Development, including (but not limited to) the quality and suitability of the plans and specifications, the supervision of construction work, and the qualifications, financial condition, and performance of all architects, engineers, contractors, subcontractors, suppliers, consultants, and property managers, and the Authority reserves the right to review and inspect such work after reasonable notice to the Borrower. Any review or inspection undertaken by the Authority with reference to the Development is solely for the purpose of determining whether Borrower is properly discharging its obligations to the Authority, and should not be relied upon by Borrower or by any third parties as a warranty or representation by the Authority as to the quality of the design or construction of the Development.

Section 3.13 Mechanics Liens, Stop Notices, and Notices of Completion.

(a) If any claim of lien is filed against the Property or a stop notice affecting the Loan is served on the Authority or any other lender or other third party in connection with the Development, then Borrower shall, within twenty (20) days after such filing or service, either pay and fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to the Authority a surety bond in sufficient form and amount, or provide the Authority with other assurance satisfactory to the Authority that the claim of lien or stop notice will be paid or discharged, provided that the Authority provides written notice of such claim of lien or stop notice to the Borrower promptly upon receipt by the Authority.

(b) If Borrower fails to discharge any lien, encumbrance, charge, or claim in the manner required in this Section, then in addition to any other right or remedy, the Authority may (but shall be under no obligation to) discharge such lien, encumbrance, charge, or claim at Borrower's expense. Alternately, the Authority may require Borrower to immediately deposit with the Authority the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof. The Authority may use such deposit to satisfy any claim or lien that is adversely determined against Borrower.

(c) Borrower shall file a valid notice of cessation or notice of completion upon cessation of construction on the Development for a continuous period of thirty (30) days or more, except in the event such cessation of construction is caused by adverse weather conditions, and shall take all other reasonable steps to forestall the assertion of claims of lien against the Property. Borrower authorizes the Authority, but without any obligation, to record any notices of completion or cessation of labor, or any other notice that the Authority deems necessary or desirable to protect its interest in the Development and Property.

Section 3.14 Inspections.

Borrower shall, upon written request, permit and facilitate, and shall require its contractors to permit and facilitate, observation and inspection at the Development by the Authority and by public authorities during reasonable business hours for the purposes of determining compliance with this Agreement.

Section 3.15 Approved Development Budget; Revisions to Budget.

As of the date of this Agreement, the Authority has approved the Approved Development Budget set forth in Exhibit B. Borrower shall submit any required amendments to the Approved Development Budget to the Authority for approval monthly if actual costs of the Development vary or will vary from the costs shown on the Approved Development Budget. Written consent of the Authority shall be required to amend the Approved Development Budget.

Section 3.16 Developer Fee.

Developer shall receive a Developer Fee payable from available sources in the amounts and at times to be shown on final Development Budgets, in the Mixed-Finance Amendment to the ACC, and on draw schedules to be entered into between the Borrower and its lenders,

including the Authority. The total amount of the Developer Fee shall not exceed $1,560,000 or such lesser amount approved by the California Tax Credit Allocation Committee, subject to any restrictions imposed by any other public agency, but in no event shall the total Developer Fee exceed nine percent (9%) of total project costs, as defined by HUD. The Developer Fee will be paid solely out of owner equity, sales proceeds, private debt or other non-HUD Funds, and shall not be an obligation of the Authority. The parties recognize that the amount and timing of fees will require the agreement of other financing sources and investors, including HUD.

Section 3.17 Capital Contributions.

The Borrower shall cause its limited partner to make the capital contribution described in subsections 1.1(e)(iii) above and shall utilize such funds to pay costs of the Development, consistent with the Approved Development Budget.

Section 3.18 Guaranty.

NBDA shall provide a performance and completion guaranty to the Authority in a form to be approved by the Authority in its reasonable discretion.

ARTICLE 4 LOAN REQUIREMENTS

Section 4.1 Compliance with Lease, Regulatory and Operating Agreement.

Borrower shall comply with the terms of the Lease and the Regulatory and Operating Agreement and any breach under the Lease and Regulatory and Operating Agreement, subject to the notice and cure periods set forth in Section 5.1(c) below, shall be considered a Default under this Agreement.

Section 4.2 Special HUD Provisions

The Authority and Borrower hereby acknowledge that 138 units in the Development are public housing units and are subject to all requirements applicable to a public housing units under the Act, including, without limitation, requirements with respect to operating receipts and operating expenditures as contained in the ACC. Notwithstanding any provisions to the contrary herein, in the event of any conflict between a provision contained in this Agreement, and a requirement set forth in (i) the Regulatory and Operating Agreement; or (ii) the ACC, Mixed-Finance ACC Amendment and HOPE VI Grant Agreement, and any other Federal statutes, regulations and executive orders, all of which shall be referred to herein as Federal Requirements, except as such requirements may have been expressly waived in writing by HUD, the Federal Requirements shall in all instances be deemed to be controlling. The approval by HUD of the Mixed-Finance ACC Amendment, and any evidentiary materials submitted pursuant thereto, including but not limited to this Agreement, shall not be deemed in any way to be HUD approval for this Agreement to amend, modify or alter said Regulatory and Operating Agreement or Federal Requirements. This Agreement may not be amended in any way that in the opinion of HUD may adversely affect the continued maintenance and operation of the 138 public housing units as public housing without the prior written approval of HUD.

Section 4.3 Financial Accountings and Post-Completion Audits.

No later than sixty (60) days following full occupancy of the Development, Borrower shall provide to Authority a financial accounting of all sources and uses of funds for the Development. No later than twelve (12) months after the end of the initial operating period, as defined in 24 CFR 941.404(a), as that provision may be amended from time to time, Borrower shall submit an audited financial report showing the sources and uses of all funds utilized for the Development.

Section 4.4 Information.

Borrower shall provide any information reasonably requested by the Authority in connection with the Development, including (but not limited to) any information required by HUD in connection with Borrower's use of the Loan funds.

Section 4.5 Records.

(a) Subject to any HUD requirements, Borrower shall maintain complete, accurate, and current records pertaining to the Development for a period of five (5) years after the creation of such records, and shall permit any duly authorized representative of the Authority to inspect and copy records. Such records shall include all invoices, receipts, and other documents related to expenditures from the Loan funds. Records must be kept accurate and current.

(b) The Authority shall notify Borrower of any records it deems insufficient. Borrower shall have fifteen (15) calendar days after the receipt of such a notice to correct any deficiency in the records specified by the Authority in such notice, or if a period longer than fifteen (15) days is reasonably necessary to correct the deficiency, then Borrower shall begin to correct the deficiency within fifteen (15) days and correct the deficiency as soon as reasonably possible.

Section 4.6 Audits.

Borrower shall make available for examination at reasonable intervals and during normal business hours to Authority all books, accounts, reports, files, and other papers or property with respect to all matters covered by this Agreement, and shall permit Authority to audit, examine, and make excerpts or transcripts from such records upon reasonable prior notice from Authority. Authority may make audits of any conditions relating to this Agreement.

Section 4.7 HOPE VI Requirements.

(a) Borrower shall comply with all applicable laws, regulations and administrative requirements governing the use of the Loan funds. In the event of any conflict between this Agreement and applicable laws, regulations and administrative requirements governing the use of the Loan funds, the applicable laws, regulations and administrative requirements shall govern.

(b) The laws, regulations and administrative requirements governing the use of the Loan funds include (but are not limited to) the following:

(1) Environmental and Historic Preservation. Section 104(f) of the Housing and Community Residence Act of 1974 and 24 CFR Part 58, which prescribe procedures for compliance with the National Environmental Policy Act of 1969 (42 U.S.C. 4321-4361), and the additional laws and authorities listed at 24 CFR 58.5.

(2) Applicability of OMB Circulars. The applicable policies, guidelines, and requirements of OMB Circulars Nos. A-87, A-102, Revised, A-110 and A-122.

(3) Architectural Barriers. The requirements of the Architectural Barriers Act of 1968 (42 U.S.C. 4151-4157).

(4) Lead-Based Paint. The requirement of the Lead-Based Paint Poisoning Prevention Act, as amended (42 U.S.C. 4821 et seq.) and implementing regulations at 24 CFR Part 35.

(5) Relocation. The requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, and similar state laws. If and to the extent that development of the Development results in the permanent or temporary displacement of residential tenants, homeowners, or businesses, then Borrower shall comply with all applicable local, state, and federal statutes and regulations with respect to relocation planning, advisory assistance, and payment of monetary benefits. Borrower shall be solely responsible for payment of any relocation benefits to any displaced persons and any other obligations associated with complying with such relocation laws. Notwithstanding this requirement, Authority is responsible for all relocation activities with regard to residents of the former public housing units located on the Property.

(6) Handicap Discrimination. The requirements of Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and federal regulations issued pursuant thereto, which prohibit discrimination against the handicapped in any federally assisted program, and the applicable requirements of Title II and/or Title III of the Americans with Disabilities Act of 1990 (42 U.S.C. 12131 et seq.).

(7) Training Opportunities. The requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701, requiring that to the greatest extent feasible opportunities for training and employment be given to lower income residents of the project area and agreements for work in connection with the project be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the areas of the project. Borrower agrees to incorporate the following language in all subcontracts included within the definition of a Section 3 covered contract at 24 CFR 135.5 and executed under this Agreement:

> "The work to be performed under this agreement is a project assisted under a program providing direct federal financial assistance from HUD and is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended 12 U.S.C. 1701. Section 3 requires that to the greatest extent

feasible opportunities for training and employment be given to lower income residents of the project area and agreements for work in connection with the project be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the areas of the project."

(8) Davis-Bacon Act. The prevailing wage requirements of the Davis-Bacon Act and implementing regulations.

(9) Drug Free Workplace. The requirements of the Drug Free Workplace Act of 1988 (P.L. 100-690) and implementing regulations at 24 CFR Part 24.

(10) Public Housing Requirements. The requirements of the Act and HUD regulations thereunder, the Quality Housing and Work Responsibility Act of 1998, Public Law 105-276, and regulations thereunder, the Mixed Finance Regulations at 24 CFR Part 941, any other federal laws and regulations thereunder pertaining to public housing, Executive Orders, the ACC, the HOPE VI Grant Agreement, the Declaration of Trust and Restrictive Covenants, and all documents incorporated into any of them by amendment, exhibit, or reference, as those requirements may be waived or amended from time to time. In the event of any conflict among the foregoing authorities, the Act and the ACC (including any waivers granted pursuant thereto or pursuant to HUD regulations applicable to privately-owned mixed-income communities such as the Development) shall control.

(11) HUD Regulations. Any other HUD regulations present or as may be amended, added, or waived in the future pertaining to the Loan funds, including but not limited to HUD regulations as may be promulgated regarding subrecipients.

Section 4.8 Hazardous Materials.

(a) Certain Covenants and Agreements. The Borrower hereby covenants and agrees that:

(i) The Borrower shall not knowingly permit the Development or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal or transportation of Hazardous Materials or otherwise knowingly permit the presence of Hazardous Materials in, on or under the Development in violation of any applicable law; provided however that, for the purposes of this subsection (a) only, the term "Hazardous Materials" shall not include: materials located in, on or under the Property as of the date hereof, materials in reasonable quantities for lawful use in the demolition of the Existing Improvements and other work required under the PSA; reasonable quantities of gardening materials, household products, construction supplies and materials, office supply products or janitorial supply products of the type customarily used in construction, maintenance, demolition, or associated with buildings and grounds, or typically used in household activities or the commercial establishments on the Property, so long as used in a lawful manner; certain substances which may contain chemicals listed by the State of California pursuant to Health and Safety Code Sections 25249.8 et seq., which substances are commonly used in reasonable quantities and in a lawful manner by a significant portion of the population living within the region of the Property.

(ii) The Borrower shall keep and maintain the Development and each portion thereof in compliance with, and shall not cause or permit the Development or any portion thereof to be in violation of, any Hazardous Materials Laws;

(iii) Upon receiving actual knowledge of the same the Borrower shall immediately advise the Authority in writing of: (A) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against the Borrower or the Development pursuant to any applicable Hazardous Materials Laws; (B) any and all claims made or threatened by any third party against the Borrower or the Development relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in the foregoing clause (A) and this clause (B) are hereinafter referred to as "Hazardous Materials Claims"); (C) the presence of any Hazardous Materials in, on or under the Development in such quantities which require reporting to a government agency; or (D) the Borrower's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Development classified as "borderzone property" under the provisions of California Health and Safety Code, Sections 25220 et seq., or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability or use of the Development under any Hazardous Materials Laws. If the Authority reasonably determines that the Borrower is not adequately responding to a Hazardous Material Claim, the Authority shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any such Hazardous Materials Claims and to have its reasonable attorney's fees in connection therewith paid by the Borrower.

(iv) Without the Authority's prior written consent, which shall not be unreasonably withheld or delayed, the Borrower shall not take any remedial action in response to the presence of any Hazardous Materials on, under, or about the Development (other than in emergency situations or as required by governmental agencies having jurisdiction), nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Materials Claims.

(b) The Borrower hereby acknowledges and agrees that the Borrower's duties, obligations and liabilities under this Agreement are in no way limited or otherwise affected by any information the Borrower may have concerning the Development and/or the presence within the Development of any Hazardous Materials, whether the Authority obtained such information from the Borrower or from its own investigations.

(c) Indemnification between the Borrower and the Authority for Hazardous Materials in connection with the Preconstruction Work, as defined in the PSA, shall be as provided in the PSA, subject to subsections (d) and (e) below.

(d) Notwithstanding anything to the contrary in the PSA, upon completion of the Preconstruction Work as defined in the PSA for the East Block and the West Block, respectively, the Borrower hereby agrees to indemnify, protect, hold harmless and defend the Authority, its board members, officers, directors, employees, insurers, sureties, attorneys, agents and contractors, from and against any and all claims, demands, losses, damages, liabilities, fines, penalties, charges, causes of action, administrative and judicial proceedings and orders,

settlements, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, attorneys' fees, expert witness fees and costs) (hereinafter, "Claims"), arising directly or indirectly, in whole or in part, out of: (1) any action or omission of the Borrower or any other person or entity acting under the authority or control of the Borrower, other than any indemnitee, relating to Hazardous Materials on, under or about the Development, including the failure to comply with any Hazardous Materials Law or relating in any way whatsoever to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation or disposal of Hazardous Materials into, on, under or from the Development but excluding any matter with respect to Known Hazardous Materials covered by the Authority's Indemnity provided under Section 4.8(e); or (2) the presence in, on or under the Development of any Hazardous Materials or any releases or discharges of any Hazardous Materials into, on, under or from the Development, excluding any pre-existing Hazardous Materials on the Property identified in the Site Mitigation Plan attached hereto as Exhibit F, as that plan may be mutually amended by the parties ("Known Hazardous Materials") (except to the extent that any Claim in connection with Known Hazardous Materials results from the negligent act or omission of the Borrower). The Borrower shall not be obligated to indemnify the Authority under this provision with respect to, and to the extent of, the negligence or willful misconduct of the Authority, its contractors, anyone directly or indirectly employed by them or anyone for whose acts they may be liable.

(e) Notwithstanding anything to the contrary in the PSA, upon completion of the Preconstruction Work as defined in the PSA for the East Block and the West Block, respectively, the Authority hereby agrees to indemnify, protect, hold harmless and defend Borrower, its members, shareholders, officers, directors, employees, insurers, sureties, attorneys, agents and contractors, from and against any and all claims, demands, losses, damages, liabilities, fines, penalties, charges, causes of action, administrative and judicial proceedings and orders, settlements, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, attorneys' fees, expert witness fees and costs), arising out of the presence of any Known Hazardous Materials on the Property; provided, however, that the Authority shall not be obligated to indemnify Borrower under this provision with respect to, or to the extent of, the negligence or willful misconduct of the Borrower, its contractors, anyone directly or indirectly employed by them or anyone for whose acts they may be liable.

(f) Borrower hereby acknowledges and agrees that (i) this Section is intended as the Authority's written request for information (and Borrower's response) concerning the environmental condition of the Property as required by California Code of Civil Procedure Section 726.5, and (ii) each representation and warranty in this Agreement (together with any indemnity obligation applicable to a breach of any such representation and warranty) with respect to the environmental condition of the Property is intended by the Parties to be an "environmental provision" for purposes of California Code of Civil Procedure Section 736.

Section 4.9 Maintenance and Damage.

(a) During the course of both construction and operation of the Development, Borrower shall maintain the Development and the Property in good repair and in a neat, clean and orderly condition. If there arises a condition in contravention of this requirement, and if

Borrower has not cured such condition within thirty (30) days after receiving a Authority notice of such a condition, and Borrower has not initiated diligent efforts to cure such condition within such period, then in addition to any other rights available to the Authority, the Authority shall have the right to perform all acts necessary to cure such condition, and to establish or enforce a lien or other encumbrance against the Property.

Subject to the requirements of senior lenders, and if economically feasible in the Authority's and Borrower's reasonable judgement, if any improvement now or in the future on the Property is damaged or destroyed, then Borrower shall, at its cost and expense, diligently undertake to repair or restore such improvement consistent with the plans and specifications approved by the Authority with such changes as have been approved by the Authority. Such work or repair shall be commenced no later than the later of one hundred twenty (120) days after the damage or loss occurs or thirty (30) days following receipt of the insurance proceeds, and shall be complete within one (1) year thereafter or such longer time as is reasonably necessary, so long as Borrower diligently proceeds to completion.

(b) Notwithstanding anything to the contrary contained herein or in any of the documents evidencing or securing the Loan, in the event of a casualty to the Property (or any portion thereof) or a condemnation affecting the Property or any portion thereof:

(i) If, as reasonably determined by Authority and Borrower, it is economically feasible to restore the Property to a physical condition substantially the same or functionally equivalent to that which existed prior to such casualty or condemnation, then (unless Authority and Borrower agree otherwise), Borrower shall deposit the insurance or condemnation proceeds (the "Proceeds"), as applicable, into an account created by Borrower to be disbursed for reconstruction of the Property in accordance with such commercially reasonable construction disbursement requirements and procedures as Authority shall require.

(ii) If, as reasonably determined by Authority and Borrower, it is not economically feasible to restore the Property to a physical condition substantially the same or functionally equivalent to that which existed prior to such casualty or condemnation, then any insurance and condemnation proceeds shall be utilized in a manner consistent with the Mixed-Finance Amendment to ACC, dated of approximately even date herewith, between the Authority and HUD relating to the Property.

Section 4.10 Fees and Taxes.

Borrower shall be solely responsible for payment of all fees, assessments, taxes, charges, and levies imposed by any public authority or utility company with respect to the Property or the Development to the extent owned by Borrower, and shall pay such charges prior to delinquency. However, Borrower shall not be required to pay and discharge any such charge so long as (a) the legality thereof is being contested diligently and in good faith and by appropriate proceedings, and (b) if requested by the Authority, Borrower deposits with the Authority any funds or other forms of assurance that the Authority in good faith from time to time determines appropriate to protect the Authority from the consequences of the contest being unsuccessful.

Section 4.11 Notice of Litigation.

Borrower shall promptly notify the Authority in writing of any litigation materially affecting Borrower or the Property and of any claims or disputes that involve a material risk of such litigation.

Section 4.12 Operation of Development as Affordable Housing Rental Development.

(a) Promptly after completion of construction, the Borrower shall operate the Development as an affordable housing rental development consistent with (i) Public Housing Requirements, (ii) HUD's requirements for use of the HOPE VI Loan Funds, (iii) the Lease, (iv) and the Management Plan, provided that the Public Housing Requirements apply only to the PHA-Assisted Units.

(b) Before leasing any PHA-Assisted Unit in the Development, the Borrower shall submit its proposed form of lease agreement for the Authority's review and approval. The term of the form of lease agreement for the PHA-Assisted Unit shall be for no less than one (1) year, except by mutual agreement between Borrower and the tenant, and shall not contain any provision which is prohibited by applicable Public Housing Requirements. For a PHA-Assisted Unit, any Borrower termination of a lease agreement or refusal to renew must be in conformance with applicable Public Housing Requirements, and must be preceded by not less than thirty (30) days written notice to the tenant by the Borrower specifying the grounds for the action.

Section 4.13 Nondiscrimination.

The Borrower covenants by and for itself and its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, age, disability, sex, sexual orientation, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, nor shall the Borrower or any person claiming under or through the Borrower establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the Property. The foregoing covenant shall run with the land.

Section 4.14 Transfer.

(a) For purposes of this Agreement, "Transfer" shall mean any sale, assignment, transfer, refinancing, or further encumbrancing, whether voluntary or involuntary, of (i) any rights and/or duties under this Agreement, (ii) any interest in Borrower, and/or (iii) any interest in the Development, including (but not limited to) a fee simple interest, a joint tenancy interest, a life estate, a partnership interest, a leasehold interest, a security interest, or an interest evidenced by a land contract by which possession of the Development is transferred and Borrower retains title. The term "Transfer" shall exclude the Borrower's substitution of general partner interest described in Section 2.9 hereof and the leasing of any single unit in the Development to an occupant in compliance with the Regulatory and Operating Agreement.

(b) Except as provided in the Lease, no Transfer shall be permitted without the prior written consent of the Authority and HUD, which the Authority and HUD may withhold in their discretion. The Loan shall automatically accelerate and be due in full upon any unauthorized Transfer.

(c) The Authority approves the grant of the security interests in the Property described in Section 1.1(e) above.

Section 4.15 Insurance Requirements.

The Borrower shall maintain the following insurance coverage throughout the Term of the Loan:

(a) Worker's Compensation insurance to the extent required by law, including Employer's Liability coverage, with limits not less than One Million Dollars ($1,000,000) each accident.

(i) Commercial General Liability insurance with limits not less than Three Million Dollars ($3,000,000) each occurrence combined single limit for Bodily Injury and Property Damage, including coverages for Contractual Liability, Personal Injury, Broadform Property Damage, Products and Completed Operations.

(b) Comprehensive Automobile Liability insurance with limits not less than One Million Dollars ($1,000,000) each occurrence combined single limit for Bodily Injury and Property Damage, including coverages for owned, non-owned and hired vehicles, as applicable; provided, however, that if the Borrower does not own or lease vehicles for purposes of this Agreement, then no automobile insurance shall be required.

(c) Property insurance covering the Development, in form appropriate for the nature of such property, covering all risks of loss, excluding earthquake, for one hundred percent (100%) of the replacement value, with deductible, if any, acceptable to the Authority, naming the Authority as a Loss Payee, as its interests may appear. Flood insurance shall be obtained if required by applicable federal regulations.

(d) Blanket Fidelity Bond covering all officers and employees, for loss of Loan proceeds caused by dishonesty, in an amount not less than One Million Dollars ($1,000,000) naming the Authority a Loss Payee, as its interests may appear.

(e) The Borrower shall cause the general contractor and architects working on the Development under direct contract with the Borrower to maintain insurance of the types and in at least the minimum amounts described in subsections (a), (b), (c) and (d) above, except that the limit of liability for design professional liability insurance for architects whose contracts do not exceed $500,000 shall be Five Hundred Thousand Dollars ($500,000) per occurrence, and the limit of liability for design professional liability insurance for architects whose contract is between $500,001 and $1,000,000 shall be One Million Dollars ($1,000,000), and the limit of liability for design professional liability insurance for architects whose contract is more than $1,000,000 shall be Two Million Dollars ($2,000,000).

(f) The required insurance shall be provided under an occurrence form, and Borrower shall maintain such coverage continuously so long as the Note is outstanding. Should any of the required insurance be provided under a form of coverage that includes an annual aggregate limit that does not apply separately to this project or provides that claims investigation or legal defense costs be included in such annual aggregate limit, such annual aggregate limit shall be twice the occurrence limits specified above.

(g) Commercial General Liability, Comprehensive Automobile Liability and Property insurance policies shall be endorsed to name as an additional insured the Authority and its officers, agents, employees and members of the Authority Commission.

(h) All policies and bonds shall be endorsed to provide thirty (30) days prior written notice of cancellation, reduction in coverage, or intent not to renew to the address established for notices to the Authority.

ARTICLE 5 DEFAULT AND REMEDIES

Section 5.1 Events of Default.

Each of the following shall constitute a "Default" by Borrower under this Agreement:

(a) Failure to Construct. Subject to Section 6.15, failure of Borrower to commence and complete construction of the Development within ninety (90) days of the times set forth in Article 3 above, unless extended by the Authority;

(b) Failure to Make Payment. Failure to repay the principal and any interest on the Loan within ten (10) days of receipt of written notice from the Authority that such payment is due pursuant to the Loan Documents.

(c) Breach of Covenants. Failure by Borrower to duly perform, comply with, or observe any of the conditions, terms, or covenants of any of the Loan Documents, and such failure having continued uncured for thirty (30) days after receipt of written notice thereof from the Authority to the Borrower or, if the breach cannot be cured within thirty (30) days, the Borrower shall not be in breach so long as Borrower is diligently undertaking to cure such breach and such breach is cured within ninety (90) days; provided, however, that if a different period or notice requirement is specified under any other section of this Article 5, the specific provisions shall control.

(d) Default Under Other Loans. Failure to make any payment or perform any of Borrower's covenants, agreements, or obligations under the documents evidencing and securing the Approved Financing following expiration of all applicable notice and cure periods.

(e) Insolvency. A court having jurisdiction shall have made or entered any decree or order (i) adjudging Borrower or Borrower's general partner to be bankrupt or insolvent, (ii) approving as properly filed a petition seeking reorganization of Borrower or Borrower's general partner or seeking any arrangement for Borrower or Borrower's general partner under the bankruptcy law or any other applicable debtor's relief law or statute of the United States or any

state or other jurisdiction, (iii) appointing a receiver, trustee, liquidator, or assignee of Borrower or Borrower's general partner in bankruptcy or insolvency or for any of their properties, (iv) directing the winding up or liquidation of Borrower or Borrower's general partner, if any such decree or order described in clauses (i) to (iv), inclusive, shall have continued unstayed or undischarged for a period of ninety (90) days; or (v) Borrower or Borrower's general partner shall have admitted in writing its inability to pay its debts as they fall due or shall have voluntarily submitted to or filed a petition seeking any decree or order of the nature described in clauses (i) to (iv), inclusive. The occurrence of any of the events of Default in this paragraph shall act to accelerate automatically, without the need for any action by the Authority, the indebtedness evidenced by the Note.

(f) Assignment; Attachment. Borrower or Borrower's general partner shall have assigned its assets for the benefit of its creditors or suffered a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached or executed upon shall have been returned or released within ninety (90) days after such event or, if sooner, prior to sale pursuant to such sequestration, attachment, or execution. The occurrence of any of the events of default in this paragraph shall act to accelerate automatically, without the need for any action by the Authority, the indebtedness evidenced by the Note.

(g) Suspension; Termination. Borrower or Borrower's general partner shall have voluntarily suspended its business or, if Borrower is a partnership, the partnership shall have been dissolved or terminated, other than a technical termination of the partnership for tax purposes.

(h) Liens on Property and the Project. There shall be filed any claim of lien (other than liens approved in writing by the Authority) against the Development or any part thereof, or any interest or right made appurtenant thereto, or the service of any notice to withhold proceeds of the Loan and the continued maintenance of said claim of lien or notice to withhold for a period of twenty (20) days without discharge or satisfaction thereof or provision therefor (including, without limitation, the posting of bonds) satisfactory to the Authority.

(i) Condemnation. The condemnation, seizure, or appropriation of all or the substantial part of the Property and the Development.

(j) Unauthorized Transfer. Any Transfer other than as permitted by Section 4.14.

(k) Representation or Warranty Incorrect. Any Borrower representation or warranty contained in this Agreement, or in any application, financial statement, certificate, or report submitted to the Authority in connection with any of the Loan Documents, proving to have been knowingly incorrect in any material respect when made. After completion of the Development, Default may be declared under this subsection only if the failure of representation or warranty also has a material adverse effect on the operation of the Development.

Section 5.2 Notice to Investor.

Authority shall give to Investor at the address set forth in Section 6.9 hereof a duplicate copy of all notices of default or other notices that Authority may give to or serve in writing upon Borrower pursuant to the terms of this Agreement. The address of Investor set forth in Section

6.9 may be changed upon written notice delivered to Authority in the manner specified in Section 6.9 herein below. No notice of default given to Borrower shall be effective until the Investor receives such notice.

Section 5.3 Right of Investor to Cure.

Notwithstanding any default by Borrower under this Agreement, Authority shall have no right to terminate this Agreement or exercise any remedies hereunder or under applicable law or take any other enforcement action hereunder unless Authority shall have first given Investor written notice of such default and Investor shall have failed to remedy such default or remove the general partner within the time periods specified by this Section.

Investor shall have the right, but not the obligation, at any time to pay any amounts due under this Agreement or do any act or thing required by Borrower by the terms of this Agreement, to prevent a default of this Agreement. Investor shall have ninety (90) days after receipt of notice from Authority describing such default and stating that Borrower has failed to cure such default within the time required by this Agreement to cure the default. All payments so made and all things so done shall be as effective to prevent a termination of this Agreement as the same would have been if made and performed by Borrower instead of by Investor.

In addition to the cure period provided in this Section 5.3 above, if Investor determines that in order to cure such default Investor must remove one or more general partners of Borrower pursuant to the Amended and Restated Agreement of Limited Partnership of Borrower, Investor shall have a reasonable time after the expiration of such ninety (90) day period within which to remove such general partners(s) and to remedy such default, provided that:

(i) Investor shall have fully cured any default in the payment of any monetary obligations of Borrower under this Agreement within such ninety (90)day period and shall continue to pay currently such monetary obligations when the same are due, and

(ii) Investor shall have removed such general partner(s) or commenced to remove the general partner(s) prior to or within such period, and shall be diligently prosecuting the same.

Any default under this Agreement which by its nature cannot be remedied by Investor shall be deemed to be remedied if:

(i) within ninety (90) days after receiving written notice from Authority describing the default and Borrower's failure to cure such default, or prior thereto, Investor shall have removed the general partner(s) or commenced appropriate proceedings to remove the general partner(s),

(ii) Investor shall begin and diligently continue to prosecute any such proceedings to completion,

(iii) Investor shall have fully cured any default in the payment of any monetary obligations of Borrower hereunder which does not require removal of the general partner(s), and

(iv) after removing the general partner(s), the Investor shall within a reasonable time cure all non-monetary defaults of Borrower hereunder capable of cure by Investor.

If Investor is prohibited, stayed or enjoined by any bankruptcy, insolvency or other judicial proceedings involving Borrower from removing the general partner(s), the times specified for such removal shall be extended for the period of such prohibition; provided that any Investor shall have fully cured any default in the payment of any monetary obligations of Borrower under this Agreement and shall continue to pay currently such monetary obligations when the same fall due; provided, further, that such Investor shall not interfere with Authority's efforts to seek compliance by the Borrower with any non-monetary obligations under this Agreement.

Section 5.4 Limitation on Liability of Investor.

Investor shall not be or become liable to Authority as an assignee of Borrower under this Agreement or otherwise unless it expressly assumes such liability by written instrument executed by Authority and Investor.

Section 5.5 Remedies.

The occurrence of any Default hereunder following the expiration of all applicable notice and cure periods will, either at the option of the Authority or automatically where so specified, relieve the Authority of any obligation to make or continue the Loan and shall give the Authority the right to proceed with any and all remedies set forth in this Agreement and the Loan Documents, including but not limited to the following:

(a) Acceleration of Note. The Authority shall have the right to cause all indebtedness of the Borrower to the Authority under this Agreement and the Note, together with any accrued interest thereon, to become immediately due and payable. The Borrower waives all right to presentment, demand, protest or notice of protest or dishonor. The Authority may proceed to enforce payment of the indebtedness and to exercise any or all rights afforded to the Authority as a creditor and secured party under the law including the Uniform Commercial Code, including foreclosure under the Deed of Trust. The Borrower shall be liable to pay the Authority on demand all reasonable expenses, costs and fees (including, without limitation, reasonable attorney's fees and expenses) paid or incurred by the Authority in connection with the collection of the Loan and the preservation, maintenance, protection, sale, or other disposition of the security given for the Loan.

(b) Specific Performance. The Authority shall have the right to mandamus or other suit, action or proceeding at law or in equity to require Borrower to perform its obligations and covenants under the Loan Documents or to enjoin acts on things which may be unlawful or in violation of the provisions of the Loan Documents.

(c) Right to Cure at Borrower's Expense. The Authority shall have the right (but not the obligation) to cure any monetary default by Borrower under a loan other than the Loan. The Borrower agrees to reimburse the Authority for any funds advanced by the Authority to cure a monetary default by Borrower upon demand therefor, together with interest thereon at the lesser of the maximum rate permitted by law or ten percent (10%) per annum from the date of expenditure until the date of reimbursement.

Section 5.6 Right of Contest.

Borrower shall have the right to contest in good faith any claim, demand, levy, or assessment the assertion of which would constitute a Default hereunder. Any such contest shall be prosecuted diligently and in a manner unprejudicial to the Authority or the rights of the Authority hereunder.

Section 5.7 Remedies Cumulative.

No right, power, or remedy given to the Authority by the terms of this Agreement or the Loan Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given to the Authority by the terms of any such instrument, or by any statute or otherwise against Borrower and any other person. Neither the failure nor any delay on the part of the Authority to exercise any such rights and remedies shall operate as a waiver thereof, nor shall any single or partial exercise by the Authority of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy.

ARTICLE 6 GENERAL PROVISIONS

Section 6.1 Relationship of Parties.

Nothing contained in this Agreement shall be interpreted or understood by any of the Parties, or by any third persons, as creating the relationship of employer and employee, principal and agent, limited or general partnership, or joint venture between the Authority and Borrower or its agents, employees or contractors, and Borrower shall at all times be deemed an independent contractor and shall be wholly responsible for the manner in which it or its agents, or both, perform the services required of it by the terms of this Agreement. Borrower has and retains the right to exercise full control of employment, direction, compensation, and discharge of all persons assisting in the performance of services under the Agreement. In regards to the acquisition of the Property, and construction and operation of the Development, Borrower shall be solely responsible for all matters relating to payment of its employees, including compliance with Social Security, withholding, and all other laws and regulations governing such matters, and shall include requirements in each contract that contractors shall be solely responsible for similar matters relating to their employees. Borrower shall be solely responsible for its own acts and those of its agents and employees.

Section 6.2 No Claims.

Nothing contained in this Agreement shall create or justify any claim against the Authority by any person that Borrower may have employed or with whom Borrower may have contracted relative to the purchase of materials, supplies or equipment, or the furnishing or the performance of any work or services with respect to the acquisition of the Property and the construction and operation of the Development, and Borrower shall include similar requirements in any contracts entered into for the acquisition of the Property or the construction and operation of the Development.

Section 6.3 Amendments.

No alteration or variation of the terms of this Agreement shall be valid unless made in writing by the Parties.

Section 6.4 Indemnification.

The Borrower shall indemnify, defend and hold the Authority harmless against all claims made against it and expenses (including reasonable attorneys' fees) which arise out of or in connection with the acquisition of the Property, or the development, construction, marketing and operation of the Development, except to the extent such claim arises from the grossly negligent or willful misconduct of the Authority, its agents, and its employees and except as provided in Sections 7.3 and 9.3(b) of the Lease. The provisions of this Section 6.4 shall survive the expiration of the Term and the reconveyance of the Deed of Trust.

Section 6.5 Non-Liability of Authority Officials, Employees and Agents.

No member, official, employee or agent of the Authority shall be personally liable to Borrower in the event of any default or breach by the Authority or for any amount which may become due to Borrower or its successor or on any obligation under the terms of this Agreement.

Section 6.6 No Third Party Beneficiaries.

There shall be no third party beneficiaries to this Agreement, except that the investor limited partner of the Borrower shall be a third party beneficiary with respect to notice and cure rights granted the limited partner in this Agreement.

Section 6.7 Discretion Retained By Authority.

The Authority's execution of this Agreement in no way limits the discretion of the Authority in the review and approval process in connection with development of the Development.

Section 6.8 Conflict of Interest.

(a) Except for approved eligible administrative or personnel costs, no person described in Section 6.8(b) below who exercises or has exercised any functions or responsibilities with respect to the activities funded pursuant to this Agreement or who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during, or at any time after, such person's tenure. Borrower shall exercise due diligence to ensure that the prohibition in this Section 6.8(a) is followed.

(b) The conflict of interest provisions of Section 6.8(a) above apply to any person who is an employee, agent, consultant, officer, or any immediate family member of such person, or any elected or appointed official of the Authority, or any person related within the third (3rd) degree of such person.

Section 6.9 Notices, Demands and Communications.

Formal notices, demands, and communications between the Parties shall be sufficiently given if and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered by express delivery service, return receipt requested, or delivered personally, to the principal office of the Parties as follows:

Authority:

San Francisco Housing Authority
440 Turk Street
San Francisco, CA 94102
Attention: Executive Director

Borrower:

_____
c/o BRIDGE Housing Corporation
1 Hawthorne Street
Suite 400
San Francisco, CA 94105
Attention: President

with a copy to:

(Investor)
_____
_____
Attention: _____

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate by mail as provided in this Section. Receipt shall be deemed to have occurred on the date shown on a written receipt as the date of delivery or refusal of delivery (or attempted delivery if undeliverable). Copies of notice, sent to Borrower shall also be sent to any limited partner of Borrower who requests such notice in writing and provides its address.

Section 6.10 Role of HUD.

(a) The Authority and Borrower acknowledge that any transfer of HOPE VI funds by Authority to Borrower shall not be or be deemed to be an assignment of grant funds, and Borrower shall not succeed to any rights or benefits of the Authority under the ACC or HOPE VI Grant Agreement, or attain any privileges, authorities, interests, or rights in or under the ACC or HOPE VI Grant Agreement.

(b) Nothing contained in the ACC, the HOPE VI Grant Agreement, or this Agreement nor any act of HUD or the Authority, shall be deemed or construed to create any relationship of third-party beneficiary, principal and agent, limited or general partnership, joint venture, or any association or relationship involving HUD, except between HUD and the Authority as provided under the terms of the ACC or HOPE VI Grant Agreement.

Section 6.11 Applicable Law.

This Agreement shall be governed by California law.

Section 6.12 Parties Bound.

Except as otherwise limited herein, the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their heirs, executors, administrators, legal representatives, successors, and assigns. This Agreement is intended to run with the land and shall bind Borrower and its successors and assigns in the Property and the Development for the entire Term, and the benefit hereof shall inure to the benefit of the Authority and its successors and assigns.

Section 6.13 Attorneys' Fees.

If any lawsuit is commenced to enforce any of the terms of this Agreement, the prevailing Party will have the right to recover its reasonable attorneys' fees and costs of suit from the other Party.

Section 6.14 Severability.

If any term of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall continue in full force and effect

unless the rights and obligations of the Parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

Section 6.15 Force Majeure.

In addition to specific provisions of this Agreement, performance by either Party shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; quarantine restrictions; freight embargoes; lack of transportation; or court order; or any other similar causes (other than lack of funds of Borrower or Borrower's inability to finance the construction of the Development) beyond the control or without the fault of the Party claiming an extension of time to perform. An extension of time for any cause will be deemed granted if notice by the Party claiming such extension is sent to the other within ten (10) days from the commencement of the cause and such extension of time is not rejected in writing by the other Party within ten (10) days of receipt of the notice. In no event shall the Authority be required to agree to cumulative delays in excess of one hundred eighty (180) days.

Section 6.16 Authority Approval.

Whenever this Agreement calls for Authority approval, consent, or waiver, the written approval, consent, or waiver of the Authority Executive Director shall constitute the approval, consent, or waiver of the Authority, without further authorization required from the Authority Commission. The Authority hereby authorizes the Authority Executive Director to deliver such approvals or consents as are required by this Agreement, or to waive requirements under this Agreement, on behalf of the Authority. Any consents or approvals required under this Agreement shall not be unreasonably withheld or made, except where it is specifically provided that a sole discretion standard applies. The Authority Executive Director is also hereby authorized to approve, on behalf of the Authority, requests by Borrower for reasonable extensions of time deadlines set forth in this Agreement. The Authority shall not unreasonably delay in reviewing and approving or disapproving any proposal by Borrower made in connection with this Agreement.

Section 6.17 Waivers.

Any waiver by the Authority of any obligation or condition in this Agreement must be in writing. No waiver will be implied from any delay or failure by the Authority to take action on any breach or default of Borrower or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to Borrower to perform any obligation under this Agreement shall not operate as a waiver or release from any of its obligations under this Agreement. Consent by the Authority to any act or omission by Borrower shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for the Authority's written consent to future waivers.

Section 6.18 Title of Parts and Sections.

Any titles of the sections or subsections of this Agreement are inserted for convenience of reference only and shall be disregarded in interpreting any part of the Agreement's provisions.

Section 6.19 Entire Understanding of the Parties

This Agreement constitutes the entire understanding and agreement of the Parties with respect to the Loan. If there is any conflict between this Agreement and the Project Agreements, then this Agreement shall control.

Section 6.20 Multiple Originals; Counterpart.

This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

Section 6.21 Exhibits; Rider.

Exhibits A through G are incorporated into and hereby made a part of this Agreement.

WHEREAS, this Agreement has been entered into by the undersigned as of the date first above written.

AUTHORITY:

HOUSING AUTHORITY OF CITY AND COUNTY OF SAN FRANCISCO, a public body, corporate and politic

By: _____
Gregg Fortner
Executive Director

BORROWER:

North Beach Housing Associates,
a California Limited Partnership

By: BRIDGE Housing Ventures, Inc., a California nonprofit public benefit corporation, its managing general partner

By: _____

Its: _____

DOCUMENTS DEPT.

DEC 18 2002

SAN FRANCISCO
PUBLIC LIBRARY

NORTH BEACH PLACE HOPE VI LOAN
PROMISSORY NOTE

$14,488,417

San Francisco, California
_____,2002

FOR VALUE RECEIVED, the undersigned, NORTH BEACH HOUSING ASSOCIATES, A CALIFORNIA LIMITED PARTNERSHIP ("Borrower"), promises to pay to the order of the HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO ("Lender") at its office at 440 Turk Street, San Francisco, CA 94102, or at such other place or places as the holder of this Note may from time to time designate, in lawful money of the United States, the principal sum of Fourteen Million Four Hundred Eighty-Eight Thousand Four Hundred Seventeen Dollars ($14,488,417), plus interest thereon pursuant to Section 2 below.

1. Borrower's Obligation. This promissory note (the "Note") evidences the Borrower's obligation to pay the Lender the principal amount of Fourteen Million Four Hundred Eighty-Eight Thousand Four Hundred Seventeen Dollars ($14,488,417) for the funds loaned to the Borrower by Lender to finance the development of the North Beach Place affordable rental development (the "Property") pursuant to the HOPE VI Construction/Permanent Loan Agreement between the Borrower and the Lender of even date herewith (the "Loan Agreement"). All capitalized terms not otherwise defined in this Note shall have the meanings set forth in the Loan Agreement.

2. Interest. The principal balance of this Note shall bear interest at a rate of three percent (3%) per annum; provided, however, if a Default occurs, interest on the principal balance shall begin to accrue, as of the date of Default and continuing until such time as the Loan funds are repaid in full or the Default is cured, at the default rate of the lesser of ten percent (10%), compounded annually, or the highest rate permitted by law.

3. Term and Repayment Requirements. The term of this Note (the "Term"), shall commence with the date of this Note and shall expire fifty-five (55) years after the date of issuance by the City of San Francisco of a Certificate of Occupancy for all units in the Development. This Note shall be due and payable as set forth in Section 2.7 of the Loan Agreement.

4. No Assumption. This Note shall not be assumable by the successors and assigns of Borrower without the prior written consent of the Lender, except as provided in Article 5 of the Loan Agreement.

5. Security. This Note is secured by a HOPE VI Loan Leasehold Deed of Trust, Assignment of Rents and Security Agreement (the "Deed of Trust"), of even date herewith, wherein the Borrower is the Trustor and the Lender is the Beneficiary, covering the Property.

6. Terms of Payment. (a) All payments due under this Note shall be paid in currency of the United States of America, which at the time of payment is lawful for the payment of public and private debts.

(b) All payments on this Note shall be paid to the holder of this Note at San Francisco Housing Authority, Executive Office, 440 Turk Street, San Francisco, CA 94102, Attention: Executive Director or to such other place as the Lender may from time to time designate.

(c) All payments on this Note shall be without expense to the Lender, and the Borrower agrees to pay all costs and expenses, including re-conveyance fees and reasonable attorney's fees of the Lender, incurred in connection with the payment of this Note and the release of any security hereof.

(d) Notwithstanding any other provision of this Note, or any instrument securing the obligations of the Borrower under this Note, if, for any reason whatsoever, the payment of any sums by the Borrower pursuant to the terms of this Note would result in the payment of interest which would exceed the amount that the Lender may legally charge under the laws of the State of California, then the amount by which payments exceeds the lawful interest rate shall automatically be deducted from the principal balance owing on this Note, so that in no event shall the Borrower be obligated under the terms of this Note to pay any interest which would exceed the lawful rate.

(e) This Note shall be nonrecourse to the Borrower, pursuant to, and except as provided in, Section 2.8 of the Loan Agreement.

7. Default.

(a) Subject to the notice and cure period set forth in Sections 5.1(c), 5.2 and 5.3 of the Loan Agreement, any of the following shall constitute an event of default under this Note:

(i) Any failure to pay, in full, any payment required under this Note within ten (10) days of written notice that such payment is due;

(ii) Any failure in the performance by the Borrower of any term, condition, provision or covenant set forth in this Note;

(iii) The occurrence of any event of default under the Loan Agreement, the Deed of Trust, the Regulatory and Operating Agreement, the Intercreditor Agreement, or other instrument securing the obligations of the Borrower under this Note or under any other promissory notes hereafter issued by the Borrower to the Lender pursuant to the Loan Agreement or the Deed of Trust, subject to notice and cure periods, if any, set forth therein.

(b) Upon the occurrence of such an event of default, the entire unpaid principal balance, together with all interest thereon, and together with all other sums then payable under this Note and the Deed of Trust shall at the option of the Lender become immediately due and payable upon written notice by the Lender to the Borrower without further demand.

(c) The failure to exercise the remedy set forth in Subsection 7(b) above or any other remedy provided by law upon the occurrence of one or more of the foregoing events of default shall not constitute a waiver of the right to exercise any remedy at any subsequent time in respect to the same or any other default. The acceptance by Lender hereof of any payment which is less than the total of all amounts due and payable at the time of such payment shall not constitute a waiver of the right to exercise any of the foregoing remedies or options at that time or at any subsequent time, or nullify any prior exercise of any such remedy or option, without the express consent of the Lender, except as and to the extent otherwise provided by law.

8. Waivers.

(a) The Borrower hereby waives diligence, presentment, protest and demand, and notice of protest, notice of demand, and notice of dishonor of this Note. The Borrower expressly agrees that this Note or any payment hereunder may be extended from time to time, and that the Lender may accept further security or release any security for this Note, all without in any way affecting the liability of the Borrower.

(b) No extension of time for payment of this Note or any installment hereof made by agreement by the Lender with any person now or hereafter liable for payment of this note shall operate to release, discharge, modify, change or affect the original liability of the Borrower under this Note, either in whole or in part.

(c) The obligations of the Borrower under this Note shall be absolute and the Borrower waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reason whatsoever.

9. Miscellaneous Provisions.

(a) All notices to the Lender or the Borrower shall be given in the manner and at the addresses set forth in the Loan Agreement, or to such addresses as the Lender and the Borrower may hereinafter designate. Copies of notices to Borrower from Lender shall also be provided by Lender to any limited partner of Borrower who requests such notice in writing and provides the Lender with written notice of its address.

(b) The Borrower promises to pay all costs and expenses, including reasonable attorney's fees, incurred by the Lender in the enforcement of the provision of this Note, regardless of whether suit is filed to seek enforcement.

(c) This Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

(d) This Note shall be governed by and construed in accordance with the laws of the State of California.

(e) The times for the performance of any obligations hereunder shall be strictly construed, time being of the essence.

(f) This document, together with the Loan Documents, contains the entire agreement between the parties as to the Loan. It may not be modified except upon written consent of the parties.

IN WITNESS WHEREOF, Borrower has caused this Note to be executed and delivered on the date set forth above.

BORROWER:

NORTH BEACH HOUSING ASSOCIATES, A CALIFORNIA LIMITED PARTNERSHIP

By: BRIDGE Housing Ventures, Inc., a California nonprofit public benefit corporation, its general partner

By: _____

DOCUMENTS DEPT.

DEC 18 2002

SAN FRANCISCO
PUBLIC LIBRARY

SUBORDINATION AGREEMENT
(Declaration Establishing Reciprocal Easements and Covenants Running with the Land to HUD Declaration of Trust and Restrictive Covenants)

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS SUBORDINATION AGREEMENT (the "Agreement") is entered into as of the ____ day of November, 2002, by and among the Housing Authority of the City and County of San Francisco, a public body corporate and politic ("SFHA"), and North Beach Housing Associates, a California Limited Partnership ("NBHA"). SFHA and NBHA will sometimes hereinafter collectively referred to in this Agreement as the "Parties".

WITNESSETH

A. SFHA is the fee simple owner of real property located in the City of San Francisco, California, which it has subdivided into six parcels in order to facilitate ownership by two separate entities: four parcels will be ground leased to a lessor for the development of approximately 20,000 square feet of commercial space (the "Commercial Development"), and two parcels, more particularly described in Exhibit A attached hereto (the "Land") will be ground leased to NBHA on which it will construct, own and operate a 341 unit multifamily rental development for low income households commonly known as North Beach Place (the "Residential Development"), 138 of which will be reserved for public housing units ("PHA-Assisted Units"). The Land, the Commercial Development and the Residential Development are collectively referred to in this Agreement as the "Property."

B. To support the efficient use of the Property as a mixed-use project and provide for the rights, duties and obligations incidental to or necessary for the use and enjoyment of Residential Development and the Commercial Development, the SFHA has executed a Declaration Establishing Reciprocal Easements and Covenants Running with the Land ("Reciprocal Easement Declaration") which sets forth easements, covenants and restrictions to be binding upon and inure to the benefit of the SFHA and the ground lessees of the Residential Development and the Commercial Development and their respective successors and assigns as part of a common plan to regulate and govern the use and occupancy of the Property.

C. In order to assist in making the units in the Residential Development affordable to low income households, the U.S. Department of Housing and Urban Development ("HUD") under Section 9 of the United States Housing Act of 1937, as amended, has agreed to provide an operating subsidy to the SFHA (the "HUD Operating Subsidy"), subject to the terms and conditions of that certain Annual Contributions Contract dated as of August 1, 1996 (the "ACC") and a Mixed Finance Amendment to the ACC ("Mixed Finance Amendment") which will be executed concurrently herewith . The SFHA has agreed to provide a portion of the HUD Operating Subsidy to NBHA pursuant to the terms and conditions of a Regulatory and Operating

Agreement, which will be executed concurrently herewith. Prior to HUD providing the HUD Operating Subsidy for the Residential Development pursuant to the ACC and Mixed Finance Amendment, HUD requires that a Declaration of Trust and Restrictive Covenants be recorded in the Official Records concurrently herewith as an encumbrance on the Residential Development (the "Declaration".)

D. It is a condition precedent to obtaining payments of the HUD Operating Subsidy for the Residential Development pursuant to the ACC and the Mixed Finance Amendment that the HUD Declaration shall unconditionally be and remain at all times a lien or charge upon the Residential Development, prior and superior to the lien or charge of the Reciprocal Easement Declaration;

E. It is to the mutual benefit of the Parties that HUD make such payment of HUD Operating Subsidy to SFHA; and SFHA is willing that the HUD Declaration shall, when recorded, constitute a lien or charge upon the Residential Development which is unconditionally prior and superior to the lien or charge of the Reciprocal Easement Declaration on the Residential Development; and.

F. It is to the mutual benefit of the Parties that the provisions of the Reciprocal Easement Declaration be consistent with HUD's requirements pursuant to the ACC, the Mixed Finance Amendment and the HUD Declaration.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the Parties and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce HUD to execute the Mixed Finance Amendment and make payments of the HUD Operating Subsidy, it is hereby declared, understood and agreed as follows:

1. That the HUD Declaration and any renewals, extensions or advances thereunder or secured thereby shall unconditionally be and remain at all times liens, claims or charges on the SFHA fee interest in the Land and on the Partnership's leasehold interest in the Land and fee interest in the Residential Development, prior and superior to the lien or charge of the Reciprocal Easement Declaration on the SFHA fee interest in the Land and on the Partnership's leasehold interest in the Land and fee interest in the Residential Development .

2. That with regard to the priority of the Reciprocal Easement Declaration, this Agreement shall be the sole and only agreement with regard to the subordination of the lien of the Reciprocal Easement Declaration to the liens, claims or charges of the HUD Declaration.

3. SFHA declares, agrees and acknowledges that:

(a) If there is a conflict between the Reciprocal Easement Declaration and the ACC and Mixed Finance Amendment regarding the use of insurance proceeds and restoration of any portion of the Residential Development, the provisions of the ACC and the Mixed Finance Amendment shall control.

(b) It intentionally and unconditionally subordinates the lien or charge of the Reciprocal Easement Declaration in favor of the lien or charge of the HUD Declaration

and understands that in reliance upon, and in consideration of, this subordination, specific payments will be made and, as part and parcel thereof, specific monetary and other obligations are being entered into which would not be made or entered into but for said reliance upon this subordination.

(c) That none of the execution, delivery or recordation of any of the ACC, Mixed Finance Amendment, HUD Declaration, or in the performance of any provision, condition, covenant or other term thereof, will conflict with or result in a breach of the Reciprocal Easement Declaration.

4. HUD would not agree to execute the Mixed Finance Amendment or make payments of the HUD Operating Subsidy without this Subordination Agreement.

5. This Agreement shall be binding on and inure to the benefit of the legal representatives, heirs, successors and assigns of the Parties.

6. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

7. This Agreement may be signed by the Parties in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same agreement

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day first above written.

SFHA:

Housing Authority of the City and County of San Francisco, a public body, corporate and politic

By: _____
Gregg Fortner, Executive Director

Approved as to Form:

_____

PARTNERSHIP:

North Beach Housing Associates, a California limited partnership

By: BRIDGE Housing Ventures, Inc., a California nonprofit public benefit Corporation, its General Partner

By: _____

Its: _____

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Citibank, Federal Savings Bank
Center for Community Development Enterprise
One Sansome Street, 26th Floor
San Francisco CA 94104

Attn: John Denton

DOCUMENTS DEPT.

DEC 18 2002

SAN FRANCISCO
PUBLIC LIBRARY

DEED OF TRUST
ASSIGNMENT OF RENTS AND SECURITY AGREEMENT
(Commercial Development Component-North Beach HOPE VI)

[Re: Assessor's Parcel No. _____]

THIS DEED OF TRUST (herein "**Instrument**") is made this First day of November, 2002, among the trustor, North Beach Retail Associates, LLC, a California limited liability company, whose address is One Hawthorne Street, 4th Floor, San Francisco, CA 94105(herein "**Borrower**"), CITIBANK SERVICE CORPORATION, a California corporation (herein "**Trustee**"), and the Beneficiary, CITIBANK, Federal Savings Bank, whose address is One Sansome Street, 26th Floor, San Francisco, CA 94104 (herein "**Lender**").

Borrower, in consideration of the indebtedness herein recited and the trust herein created, irrevocably grants, conveys and assigns to Trustee, in trust, with power of sale, the following described property located in the City and County of San Francisco, State of California:

See Exhibit A, attached hereto and incorporated herein by this reference.

TOGETHER with all buildings, improvements and tenements now or hereafter erected on the property, and all heretofore or hereafter vacated alleys and streets abutting the property, and all easements, rights, appurtenances, rents (subject however to the assignment of rents to Lender herein), royalties, mineral, oil and gas rights and profits, water, water rights, and water stock appurtenant to the property, and all fixtures, machinery, equipment, engines, boilers, incinerators, building materials, appliances and goods of every nature whatsoever now or hereafter located in, or on, or used, or intended to be used in connection with the property, including, but not limited to, those for the purposes of supplying or distributing heating, cooling, electricity, gas, water, air and light; and all elevators, and related machinery and equipment, fire prevention and extinguishing apparatus, security and access control apparatus, plumbing, water heaters, water closets, sinks, ranges, stoves, refrigerators, dishwashers, disposals, washers, dryers, awnings, storm windows, storm doors, screens, blinds, shades, curtains and curtain rods, mirrors, cabinets, paneling, attached floor coverings, antennas, trees and plants and all other personal property outlined in Exhibit B attached hereto and made a part hereof; all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the real property covered by this Instrument; and all of the foregoing, together with said property (or the leasehold estate in the event this Instrument is on a leasehold) are herein referred to as the "**Property**."

TO SECURE TO LENDER (a) the repayment of the indebtedness evidenced by that certain Construction Phase Note—Commercial Development Component--North Beach HOPE VI dated of even date herewith in the principal sum of FOUR MILLION TWO HUNDRED FIFTEEN AND NO/100 DOLLARS ($4,215,000.00), with interest thereon, with the balance of the indebtedness, if not sooner paid, due and payable on the Maturity Date (as defined therein), and all renewals, extensions and modifications thereof; (b) the repayment of the indebtedness to evidenced by that certain Permanent Phase Note—Commercial Development Component--North Beach HOPE VI to be delivered to the Lender following the date hereof herewith in the principal sum of FOUR MILLION TWO HUNDRED FIFTEEN AND NO/100 DOLLARS ($4,215,000.00), with interest thereon, with the balance of the indebtedness, if not sooner paid, due and payable on the Maturity Date (as defined therein), and all renewals, extensions and modifications thereof; (c) the repayment of any future advances, with interest thereon, made by Lender to Borrower pursuant to Paragraph 33 hereof (herein "**Future Advances**"); (d) the performance of the covenants and agreements of Borrower contained in a Loan Agreement between Lender and Borrower dated of even date herewith, as provided in Paragraph 25 hereof; (e) the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Instrument; and (f) the performance of the covenants and agreement of Borrower herein contained. The notes described in (a) and (b) above are hereinafter collectively referred to as the "**Note.**"

Borrower covenants that Borrower is lawfully seized of the estate hereby conveyed and has the right to grant, convey and assign the Property (and, if this Instrument is on a leasehold, that the ground lease is in full force and effect without modification except as noted above and without default on the part of either lessor or lessee thereunder), that the Property is unencumbered, and that Borrower will warrant and defend generally the title to the Property against all claims and demands, subject to any easements and restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Lender's interest in the Property.

Uniform Covenants. Borrower and Lender covenant and agree as follows:

1. **PAYMENT OF PRINCIPAL AND INTEREST.** Borrower shall promptly pay when due the principal of and interest on the indebtedness evidenced by the Note, and prepayment and late charges provided in the Note and all other sums secured by this Instrument.

2. **FUNDS FOR TAXES, INSURANCE AND OTHER CHARGES.** Subject to applicable law or to a written waiver by Lender, Borrower shall pay to Lender on the day monthly installments of principal or interest are payable under the Note (or on another day designated in writing by Lender), until the Note is paid in full, a sum (herein "**Funds**") equal to one-twelfth of (a) the yearly water and sewer rates and taxes and assessments which may be levied on the Property, (b) the yearly ground rents, if any, (c) the yearly premium installments for fire and other hazard insurance, rent loss insurance and such other insurance covering the Property as Lender may require pursuant to Paragraph 5 hereof, (d) the yearly premium installments for mortgage insurance, if any, and (e) if this Instrument is on a leasehold, the yearly fixed rents, if any, under the ground lease, all as reasonably estimated initially and from time to time by Lender on the basis of assessments and bills and reasonable estimates thereof. Any waiver by Lender of a requirement that Borrower pay such Funds may be revoked by Lender, in Lender's sole discretion, at any time upon notice in writing to Borrower. Lender may require Borrower to pay to Lender, in advance, such other Funds for other taxes, charges, premiums, assessments and impositions in connection with Borrower or the Property which Lender shall reasonably deem necessary to protect Lender's interest (herein "**Other Impositions**"). Unless otherwise provided by applicable law, Lender may require Funds for Other Impositions to be paid by Borrower in a lump sum or in periodic installments, at Lender's option.

The Funds shall be held in an institution(s) the deposits or accounts of which are insured or guaranteed by a Federal or state agency (including Lender if Lender is such an institution). Lender shall apply the Funds to pay said rates, rents, taxes, assessments, insurance premiums and Other Impositions so long as Borrower is not in breach of any covenant or agreement of Borrower in this Instrument. Lender shall make no charge for so holding and applying the Funds, analyzing said account or for verifying and compiling said assessments and bills, unless Lender pays Borrower interest, earnings or profits on the Funds and applicable law permits Lender to make such a charge. Borrower and Lender may agree in writing at the time of execution of this Instrument that interest on the Funds shall be paid to Borrower, and unless such agreement is made or applicable law requires interest, earnings or profits to be paid. Lender shall not be required to pay Borrower any interest, earnings or profits on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds in Lender's normal format showing credits and debits to the Funds and the purpose for which each debit to the Funds was made. The Funds are pledged as additional security for the sums secured by this Instrument.

If the amount of the Funds held by Lender at the time of the annual accounting thereof shall exceed the amount deemed necessary by Lender to provide for the payment of water and sewer rates, taxes, assessments, insurance premiums, rents and Other Impositions, as they fall due, such excess shall be credited to Borrower on the next monthly installment or installments of Funds due. If at any time the amount of the Funds held by Lender shall be less than the amount deemed necessary by Lender to pay water and sewer rates, taxes, assessments, insurance premiums, rents and Other Impositions, as they fall due, Borrower shall pay to Lender any amount necessary to make up the deficiency within thirty (30) days after notice from Lender to Borrower requesting payment thereof.

Upon Borrower's breach of any covenant or agreement of Borrower in this Instrument, Lender may apply, in any amount and in any order as Lender shall determine in Lender's sole discretion, any Funds held by Lender at the time of application (i) to pay rates, rents, taxes, assessments, insurance premiums and Other Impositions which are now or will hereafter become due, or (ii) as a credit against sums secured by this Instrument. Upon payment in full of all sums secured by this Instrument, Lender shall promptly refund to Borrower any Funds held by Lender.

3. **APPLICATION OF PAYMENTS.** Unless applicable law provides otherwise, all payments received by Lender from Borrower under the Note or this Instrument shall be applied by Lender in the following order of priority: (i) amounts payable to Lender by Borrower under Paragraph 2 hereof; (ii) interest payable on the Note; (iii) principal of the Note; (iv) interest payable on advances made pursuant to Paragraph 8 hereof; (v) principal of advances made pursuant to Paragraph 8 hereof; (vi) interest payable on any Future Advance, provided that if more than one Future Advance is outstanding, Lender may apply payments received among the amounts of interest payable on the Future Advances in such order as Lender, in Lender's sole discretion, may determine; (vii) principal of any Future Advance, provided that if more than one Future Advance is outstanding, Lender may apply payments received among the principal balances of the Future Advances in such order as Lender, in Lender's sole discretion, may determine; and (viii) any other sums secured by this Instrument in such order as Lender, at Lender's option, may determine; provided however that Lender may at Lender's option, apply any sums payable pursuant to Paragraph 8 hereof prior to interest on and principal of the Note, but such application shall not otherwise affect the order of priority of application specified in this Paragraph 3.

4. **CHARGES; LIENS.** Borrower shall pay all water and sewer rates, rents, taxes, assessments, premiums, and Other Impositions attributable to the Property at Lender's option in the manner provided under Paragraph 2 hereof, or if not paid in such manner, by Borrower making payment, when due, directly to the payee thereof, or in such other manner as Lender may designate in writing. Borrower shall promptly furnish to Lender all notices of amounts due under this Paragraph 4, and in the event Borrower shall make payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall promptly discharge any lien which has, or may have, priority over or equality with, the lien of this Instrument, and Borrower shall pay, when due, the claims of all persons supplying labor or materials to or in connection with the Property. Without Lender's prior written permission, Borrower shall not allow any lien inferior to this Instrument to be perfected against the Property.

5. **HAZARD INSURANCE.** Borrower shall keep the improvements now existing or hereafter erected on the Property insured by carriers at all times satisfactory to Lender against loss by fire, hazards included within the term "extended coverage," rent loss and such other hazards, casualties, liabilities and contingencies as Lender (and, if this Instrument is on a leasehold, the ground lease) shall require and in such amounts and for such periods as Lender shall require. All premiums on insurance policies shall be paid, at Lender's option, in the manner provided under Paragraph 2 hereof, or by Borrower making payment, when due, directly to the carrier, or in such other manner as Lender may designate in writing.

All insurance policies and renewals thereof shall be in a form acceptable to Lender and shall include a standard mortgage clause in favor of and in form acceptable to Lender. Lender shall have the right to hold the policies, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. At least thirty (30) days prior to the expiration date of a policy, Borrower shall deliver to Lender a renewal policy in form satisfactory to Lender. If this Instrument is on a leasehold, Borrower shall furnish Lender a duplicate of all policies, renewal notices, renewal policies and receipts of paid premiums if, by virtue of the ground lease, the originals thereof may not be supplied by Borrower to Lender.

In the event of loss, Borrower shall give immediate written notice to the insurance carrier and to Lender. Borrower hereby authorizes and empowers Lender as attorney-in-fact for Borrower to make proof of loss, to adjust and compromise any claim under insurance policies, to appear in and prosecute any action arising from such insurance policies, to collect and receive insurance proceeds, and to deduct therefrom Lender's expenses incurred in the collection of such proceeds; provided however, that nothing contained in this Paragraph 5 shall require Lender to incur any expense or take any action hereunder. Borrower further authorizes Lender, at Lender's option, (a) to hold the balance of such proceeds to be used to reimburse Borrower for the cost of reconstruction or repair of the Property or (b) to apply the balance of such proceeds to the payment of the sums secured by this Instrument, whether or not then due, in the order of application set forth in Paragraph 3 hereof (subject, however, to the rights of the lessor under the ground lease if this Instrument is on a leasehold).

If the insurance proceeds are held by Lender to reimburse Borrower for the cost of restoration and repair of the Property, the Property shall be restored to the equivalent of its original condition or such other condition as Lender may approve in writing. Lender may, at Lender's option, condition disbursement of said proceeds on Lender's approval of such plans and specifications of an architect satisfactory to Lender, contractor's cost estimates, architect's certificates, waivers of liens, sworn statements of mechanics and materialmen and such other evidence of costs, percentage completion of construction, application of payments, and satisfaction of liens as Lender may

reasonably require. If the insurance proceeds are applied to the payment of the sums secured by this Instrument, any such application of proceeds to principal shall not extend or postpone the due dates of the monthly installments referred to in Paragraphs 1 and 2 hereof or change the amounts of such installments. If the Property is sold pursuant to Paragraph 27 hereof or if Lender acquires title to the Property, Lender shall have all of the right, title and interest of Borrower in and to any insurance policies and unearned premiums thereon and in and to the proceeds resulting from any damage to the Property prior to such sale or acquisition.

6. **PRESERVATION AND MAINTENANCE OF PROPERTY; LEASEHOLDS.** Borrower (a) shall not commit waste or permit impairment or deterioration of the Property, (b) shall not abandon the Property, (c) shall restore or repair promptly and in good and workmanlike manner all or any part of the Property to the equivalent of its original condition, or such other condition as Lender may approve in writing, in the event of any damage, injury or loss thereto, whether or not insurance proceeds are available to cover in whole or in part the costs of such restoration or repair, (d) shall keep the Property, including improvements, fixtures, equipment, machinery and appliances thereon in good repair and shall replace fixtures, equipment, machinery and appliances on the Property when necessary to keep such items in good repair, (e) shall comply with all laws, ordinances, regulations and requirements of any governmental body applicable to the Property, (f) shall provide for professional management of the Property by a residential rental property manager satisfactory to Lender pursuant to a contract approved by Lender in writing, unless such requirement shall be waived by Lender in writing, (g) shall generally operate and maintain the Property in a manner to ensure maximum rentals, and (h) shall give notice in writing to Lender of and, unless otherwise directed in writing by Lender, appear in and defend any action or proceeding purporting to affect the Property, the security of this Instrument or the rights or powers of Lender. Neither Borrower nor any tenant or other person shall remove, demolish or alter any improvement now existing or hereafter erected on the Property or any fixture, equipment, machinery or appliance in or on the Property except when incident to the replacement of fixtures, equipment, machinery and appliances with items of like kind.

If this Instrument is on a leasehold, Borrower (i) shall comply with the provisions of the ground lease, (ii) shall give immediate written notice to Lender of any default by lessor under the ground lease or of any notice received by Borrower from such lessor of any default under the ground lease by Borrower, (iii) shall exercise any option to renew or extend the ground lease and give written confirmation thereof to Lender within thirty (30) days after such option becomes exercisable, (iv) shall give immediate written notice to Lender of the commencement of any remedial proceedings under the ground lease by any party thereto and, if required by Lender, shall permit Lender as Borrower's attorney-in-fact to control and act for Borrower in any such remedial proceedings and (v) shall within thirty (30) days after request by Lender obtain from the lessor under the ground lease and deliver to Lender the lessor's estoppel certificate required thereunder, if any. Borrower hereby expressly transfers and assigns to Lender the benefit of all covenants contained in the ground lease, whether or not such covenants run with the land, but Lender shall have no liability with respect to such covenants nor any other covenants contained in the ground lease.

Borrower shall not surrender the leasehold estate and interests herein conveyed nor terminate or cancel the ground lease creating said estate and interest, and Borrower shall not, without the express written consent of Lender, alter or amend said ground lease. Borrower covenants and agrees that there shall not be a merger of the ground lease, or of the leasehold estate created thereby, with the fee estate covered by the ground lease by reason of said leasehold estate or said fee estate, or any part of either, coming into common ownership, unless Lender shall consent in writing to such merger; if Borrower shall acquire such fee estate, then this Instrument shall simultaneously and without further action be spread so as to become a lien on such fee estate.

7. **USE OF PROPERTY.** Unless required by applicable law or unless Lender has otherwise agreed in writing, Borrower shall not allow changes in the use for which all or any part of the Property was intended at the time this Instrument was executed. Borrower shall not initiate or acquiesce in a change in the zoning classification of the Property without Lender's prior written consent.

8. **PROTECTION OF LENDER'S SECURITY.** If Borrower fails to perform the covenants and agreements contained in this Instrument, or if any action or proceeding is commenced which affects the Property or title thereto or the interest of Lender therein, including, but not limited to, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then Lender at Lender's option may make such appearances, disburse such sums and take such action as Lender deems necessary, in its sole discretion, to protect Lender's interest, including, but not limited to (i) disbursement of attorney's fees, (ii) entry upon the Property to make repairs, (iii) procurement of satisfactory insurance as provided in Paragraph 5 hereof, and (iv) if this Instrument is on a leasehold, exercise of any option to renew or extend the ground lease on behalf of Borrower and the curing of any default of Borrower in the terms and conditions of the ground lease.

Any amounts disbursed by Lender pursuant to this Paragraph 8, with interest thereon, shall become additional indebtedness of Borrower secured by this Instrument. Unless Borrower and Lender agree to other terms of payment, such amounts shall be immediately due and payable and shall bear interest from the date of disbursement at the rate stated in the Note unless collection from Borrower of interest at such rate would be contrary to applicable law, in which event such amount shall bear interest at the highest rate which may be collected from Borrower under applicable law. Borrower hereby covenants and agrees that Lender shall be subrogated to the lien of any mortgage or other lien discharged, in whole or in part, by the indebtedness secured hereby. Nothing contained in this Paragraph 8 shall require Lender to incur any expense or take any action hereunder.

9. **INSPECTION.** Lender may make or cause to be made reasonable entries upon and inspections of the Property.

10. **BOOKS AND RECORDS.** Borrower shall keep and maintain at all times at Borrower's address stated below, or such other place as Lender may approve in writing, complete and accurate books of accounts and records adequate to reflect correctly the results of the operation of the Property and copies of all written contracts, leases and other instruments which affect the Property. Such books, records, contracts, leases and other instruments shall be subject to examination and inspection at any reasonable time by Lender. Upon Lender's request, Borrower shall furnish to Lender, within one hundred and twenty (120) days after the end of each fiscal year of Borrower, a balance sheet, a statement of income and expenses of the Property and a statement of changes in financial position, each in reasonable detail and certified by Borrower and, if Lender shall require, by an independent certified public accountant. Borrower shall furnish, together with the foregoing financial statements and at any other time upon Lender's request, a rent schedule for the Property, certified by Borrower, showing the name of each tenant, and for each tenant, the space occupied, the lease expiration date, the rent payable and the rent paid.

11. **CONDEMNATION.** Borrower shall promptly notify Lender of any action or proceeding relating to any condemnation or other taking, whether direct or indirect, of the Property, or part thereof, and Borrower shall appear in and prosecute any such action or proceeding unless otherwise directed by Lender in writing. Borrower authorizes Lender, at Lender's option, as attorney-in-fact for Borrower, to commence, appear in and prosecute, in Lender's or Borrower's name, any action or proceeding

relating to any condemnation or other taking or the Property, whether direct or indirect, and to settle or compromise any claim in connection with such condemnation or other taking. The proceeds of any award, payment or claim for damages, direct or consequential, in connection with any condemnation or other taking, whether direct or indirect, of the Property, or part thereof, or for conveyances in lieu of condemnation, are hereby assigned to and shall be paid to Lender subject, if this Instrument is on a leasehold, to the rights of lessor under the ground lease.

Borrower authorizes Lender to apply such awards, payments, proceeds or damages, after the deduction of Lender's expenses incurred in the collection of such amounts, at Lender's option, to restoration or repair of the Property or to payment of the sums secured by this Instrument, whether or not then due, in the order of application set forth in Paragraph 3 hereof, with the balance, if any, to Borrower. Unless Borrower and Lender otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly installments referred to in Paragraphs 1 and 2 hereof or change the amount of such installments. Borrower agrees to execute such further evidence of assignment of any awards, proceeds, damages or claims arising in connection with such condemnation or taking as Lender may require.

12. **BORROWER AND LIEN NOT RELEASED.** From time to time, Lender may, at Lender's option, without giving notice to or obtaining the consent of Borrower, Borrower's successors or assigns or of any junior lienholder or guarantors, without liability on Lender's part and notwithstanding Borrower's breach of any covenant or agreement of Borrower in this Instrument, extend the time for payment of said indebtedness or any part thereof, reduce the payments thereon, release anyone liable on any of said indebtedness, accept a renewal note or notes therefor, modify the terms and time of payment of said indebtedness, release from the lien of this Instrument any part of the Property, take or release other or additional security, reconvey any part of the Property, consent to any map or plan of the Property, consent to the granting of any easement, join in any extension or subordination agreement, and agree in writing with Borrower to modify the rate of interest or period of amortization of the Note or change the amount of the monthly installments payable thereunder. Any actions taken by Lender pursuant to the terms of this Paragraph 12 shall not affect the obligation of Borrower or Borrower's successors or assigns to pay the sums secured by this Instrument and to observe the covenants of Borrower contained herein, shall not affect the guaranty of any person, corporation, partnership or other entity for payment of the indebtedness secured hereby, and shall not affect the lien or priority of lien hereof on the Property. Borrower shall pay Lender a reasonable service charge, together with such title insurance premiums and attorney's fees as may be incurred at Lender's option, for any such action if taken at Borrower's request.

13. **FORBEARANCE BY LENDER NOT A WAIVER.** Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy. The acceptance by Lender of payment of any sum secured by this Instrument after the due date of such payment shall not be a waiver of Lender's right to either require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Instrument, nor shall Lender's receipt of any awards, proceeds or damages under Paragraphs 5 and 11 hereof operate to cure or waive Borrower's default in payment of sums secured by this Instrument.

14. **ESTOPPEL CERTIFICATE.** Borrower shall within ten (10) days of a written request from Lender furnish Lender with a written statement, duly acknowledged, setting forth the sums secured by this

Instrument and any right of set-off, counterclaim or other defense which exists against such sums and the obligations of this Instrument.

15. **UNIFORM COMMERCIAL CODE SECURITY AGREEMENT.** This Instrument is intended to be a security agreement pursuant to the Uniform Commercial Code for any of the items specified above as part of the Property which, under applicable law, may be subject to a security interest pursuant to the Uniform Commercial Code, and Borrower hereby grants Lender a security interest in said items. Borrower agrees that Lender may file this Instrument, or a reproduction thereof, in the real estate records or other appropriate index, as a financing statement for any of the items specified above as part of the Property. Any reproduction of this Instrument or of any other security agreement or financing statement shall be sufficient as a financing statement. In addition, Borrower agrees to execute and deliver to Lender, upon Lender's request, any financing statements, as well as extensions, renewals and amendments thereof, and reproductions of this Instrument in such form as Lender may require to perfect a security interest with respect to said items. Borrower shall pay all costs of filing such financing statements and any extensions, renewals, amendments and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements Lender may reasonably require. Without the prior written consent of Lender, Borrower shall not create or suffer to be created pursuant to the Uniform Commercial Code any other security interest in said items, including replacements and additions thereto. Upon Borrower's breach of any covenant or agreement of Borrower contained in this Instrument, including the covenants to pay when due all sums secured by this Instrument, Lender shall have the remedies of a secured party under the Uniform Commercial Code and, at Lender's option, may also invoke the remedies provided in Paragraph 27 of this Instrument as to such items. In exercising any of said remedies, Lender may proceed against the items of real property and any items of personal property specified above as part of the Property separately or together and in any order whatsoever, without in any way affecting the availability of Lender's remedies under the Uniform Commercial Code or the remedies provided in Paragraph 27 of this Instrument.

16. **LEASES OF THE PROPERTY.** As used in this Paragraph 16, the word "lease" shall mean "sublease" if this Instrument is on a leasehold. Borrower shall comply with and observe Borrower's obligations as landlord under all leases of the Property or any part thereof. Borrower will not lease any portion of the Property for non-residential use except with the prior written approval of Lender. Borrower, at Lender's request, shall furnish Lender with executed copies of all leases now existing or hereafter made of all or any part of the Property, and all leases now or hereafter entered into will be in form and substance subject to the approval of Lender. All leases of the Property shall specifically provide that such leases are subordinate to this Instrument; that the tenant attorns to Lender, such attornment to be effective upon Lender's acquisition of title to the Property; that the tenant agrees to execute such further evidences of attornment as Lender may from time to time request; that the attornment of the tenant shall not be terminated by foreclosure; and that Lender may, at Lender's option, accept or reject such attornments. Borrower shall not, without Lender's written consent, execute, modify, surrender or terminate, either orally or in writing, any lease now existing or hereafter made of all or any part of the Property providing for a term of three years or more, permit an assignment or sublease of such a lease without Lender's written consent, or request or consent to the subordination of any lease of all or any part of the Property to any lien subordinate to this Instrument. If Borrower becomes aware that any tenant proposes to do, or is doing, any act or thing which may give rise to any right of set-off against rent, Borrower shall (i) take such steps as shall be reasonably calculated to prevent the accrual of any right to a set-off against rent, (ii) notify Lender thereof and of the amount of said set-offs, and (iii) within ten (10) days after such accrual, reimburse the tenant who shall have acquired such right to set-off or take such other steps as shall effectively discharge such set-

off and as shall assure that rents thereafter due shall continue to be payable without set-off or deduction.

Upon Lender's request, Borrower shall assign to Lender, by written instrument satisfactory to Lender, all leases now existing or hereafter made of all or any part of the Property and all security deposits made by tenants in connection with such leases of the Property. Upon assignment by Borrower to Lender of any leases of the Property, Lender shall have all of the rights and powers possessed by Borrower prior to such assignment and Lender shall have the right to modify, extend or terminate such existing leases and to execute new leases, in Lender's sole discretion.

17. **REMEDIES CUMULATIVE.** Each remedy provided in this Instrument is distinct and cumulative to all other rights or remedies under this Instrument or afforded by Law or equity, and may be exercised concurrently, independently, or successively, in any order whatsoever.

18. **ACCELERATION IN CASE OF BORROWER'S INSOLVENCY.** If Borrower shall voluntarily file a petition under the Federal Bankruptcy Act, as such Act may from time to time be amended, or under any similar or successor Federal statute relating to bankruptcy, insolvency, arrangements or reorganizations, or under any state bankruptcy or insolvency act, or file an answer in an involuntary proceeding admitting insolvency or inability to pay debts, or if Borrower shall fail to obtain a vacation or stay of involuntary proceedings brought for the reorganization, dissolution or liquidation of Borrower, or if Borrower shall be adjudged a bankrupt, or if a trustee or receiver shall be appointed for Borrower or Borrower's property, or if the Property shall become subject to the jurisdiction of a Federal bankruptcy court or similar state court, or if Borrower shall make an assignment for the benefit of Borrower's creditors, or if there is an attachment, execution or other judicial seizure of any portion of Borrower's assets and such seizure is not discharged within ten (10) days, then Lender may, at Lender's option, declare all of the sums secured by this Instrument to be immediately due and payable without prior notice to Borrower, and Lender may invoke any remedies permitted by Paragraph 27 of this Instrument. Any attorney's fees and other expenses incurred by Lender in connection with Borrower's bankruptcy or any of the other aforesaid events shall be additional indebtedness of Borrower secured by this Instrument pursuant to Paragraph 8 hereof.

19. **TRANSFERS OF THE PROPERTY OR BENEFICIAL INTEREST IN BORROWER; ASSUMPTION.** On sale or transfer of (i) all or any part of the Property, or any interest therein, or (ii) beneficial interest in Borrower (if Borrower is not a natural person or persons but is a corporation, partnership, trust or other legal entity), Lender may, at Lender's option, declare all of the sums secured by this Instrument to be immediately due and payable, and Lender may invoke any remedies permitted by Paragraph 27 of this Instrument. This option shall not apply in case of

(a) transfers by devise or descent or by operation of law upon the death of a joint tenant or a partner;
(b) sales or transfers when the transferee's creditworthiness and management ability are satisfactory to Lender and the transferee has executed, prior to the sale or transfer, a written assumption agreement containing such terms as Lender may require, including, if required by Lender, an increase in the rate of interest payable under the Note;
(c) the grant of a leasehold interest in a part of the Property of three years or less (or such longer lease term as Lender may permit by prior written approval) not containing an option to purchase (except any interest in the ground lease, if this Instrument is on a leasehold);
(d) sales or transfers of beneficial interest in Borrower provided that such sales or transfers, together with any prior sales or transfers of beneficial interests in Borrower, but excluding sales or transfers under subparagraphs (a) and (b) above, do not result in more than 49% of the beneficial

interests in Borrower having been sold or transferred since commencement of amortization of the Note; and

(e) sales or transfers of fixtures or any personal property pursuant to the first paragraph of Paragraph 6 hereof.

20. NOTICE. Except for any notice required under applicable law to be given in another manner, (a) any notice to Borrower provided for in this Instrument or in the Note shall be given by mailing such notice by certified mail addressed to Borrower at Borrower's address stated below or at such other address as Borrower may designate by notice to Lender as provided herein, and (b) any notice to Lender shall be given by certified mail, return receipt requested, to Lender's address stated herein or to such other address as Lender may designate by notice to Borrower as provided herein. Any notice provided for in this Instrument or in the Note shall be deemed to have been given to Borrower or Lender when given in the manner designated herein.

21. SUCCESSORS AND ASSIGNS BOUND; JOINT AND SEVERAL LIABILITY; AGENTS; CAPTIONS. The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of Paragraph 19 hereof. All covenants and agreements of Borrower shall be joint and several. In exercising any rights hereunder or taking any actions provided for herein, Lender may act through its employees, agents or independent contractors as authorized by Lender. The captions and headings of the paragraphs of this Instrument are for convenience only and are not to be used to interpret or define the provisions hereof.

22. UNIFORM INSTRUMENT; GOVERNING LAW; SEVERABILITY. This form of instrument combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property and related fixtures and personal property. This Instrument shall be governed by the law of the jurisdiction in which the Property is located. In the event that any provision of this Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Instrument or the Note which can be given effect without the conflicting provisions, and to this end the provisions of this Instrument and the Note are declared to be severable. In the event that any applicable law limiting the amount of interest or other charges permitted to be collected from Borrower is interpreted so that any charge provided for in this Instrument or in the Note, whether considered separately or together with other charges levied in connection with this Instrument and the Note, violates such law, and Borrower is entitled to the benefit of such law, such charge is hereby reduced to the extent necessary to eliminate such violation. The amounts, if any previously paid to Lender in excess of the amounts payable to Lender pursuant to such charges as reduced shall be applied by Lender to reduce the principal of the indebtedness evidenced by the Note. For the purpose of determining whether any applicable law limiting the amount of interest or other charges permitted to be collected from Borrower has been violated, all indebtedness which is secured by this Instrument or evidenced by the Note and which constitutes interest, as well as all other charges levied in connection with such indebtedness which constitute interest, shall be deemed to be allocated and spread over the stated term of the Note. Unless otherwise required by applicable law, such allocation and spreading shall be effected in such a manner that the rate of interest computed thereby is uniform throughout the stated term of the Note.

23. WAIVER OF STATUTE OF LIMITATIONS. Borrower hereby waives the right to assert any statute of limitations as a bar to the enforcement of the lien of this Instrument or to any action brought to enforce the Note or any other obligation secured by this Instrument.

24. **WAIVER OF MARSHALING.** Notwithstanding the existence of any other security interest in the Property held by Lender or by any other party, Lender shall have the right to determine the order in which any or all of the property shall be subjected to the remedies provided herein. Lender shall have the right to determine the order in which any or all portions of the indebtedness secured hereby are satisfied from the proceeds realized upon the exercise of the remedies provided herein. Borrower, any party who consents to this Instrument and any party who now or hereafter acquires a security interest in the Property and who has actual or constructive notice hereof hereby waives any and all right to require the marshaling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein.

25. **CONSTRUCTION LOAN PROVISIONS.** Borrower agrees to comply with the covenants and conditions of the Loan Agreement, if any, which is hereby incorporated by reference in and made a part of this Instrument. All advances made by Lender pursuant to the Loan Agreement shall be indebtedness of Borrower secured by this Instrument, and such advances may be obligatory as provided in the Loan Agreement. All sums disbursed by Lender prior to completion of the improvements to protect the security of this Instrument up to the principal amount of the Note shall be treated as disbursements pursuant to the Loan Agreement. All such sums shall bear interest from the date of disbursement at the rate stated in the Note, unless collection from Borrower of interest at such rate would be contrary to applicable law in which event such amounts shall bear interest at the highest rate which may be collected from Borrower under applicable law and shall be payable upon notice from Lender to Borrower requesting payment therefor.

From time to time as Lender deems necessary to protect Lender's interests, Borrower shall, upon request of Lender, execute and deliver to Lender, in such form as lender shall direct, assignments of any and all rights or claims which relate to the construction of the Property and which Borrower may have against any party supplying or who has supplied labor, materials or services in connection with construction of the Property. In case of breach by Borrower of the covenants and conditions of the Loan Agreement, at Lender's option, with or without entry upon the Property, (i) may invoke any of the rights or remedies provided in the Loan Agreement, (ii) may accelerate the sums secured by this Instrument and invoke those remedies provided in paragraph 27 hereof, or (iii) may do both. If, after the commencement of amortization of the Note, the Note and this Instrument are sold by Lender, from and after such sale the Loan Agreement shall cease to be a part of this Instrument and Borrower shall not assert any right of set off, counterclaim or other claim or defense arising out of or in connection with the Loan Agreement against the obligations of the Note and this Instrument.

26. **ASSIGNMENT OF RENTS; APPOINTMENT OF RECEIVER; LENDER IN POSSESSION.** As part of the consideration for the indebtedness evidenced by the Note, Borrower hereby grants, assigns and transfers to Lender all the rents and revenues of the Property, including those now due, past due, or to become due by virtue of any lease or other agreement for the occupancy or use of all or any part of the Property, regardless of to whom the rents and revenues of the Property are payable. The foregoing assignment is intended to be, and shall be, construed as creating a present security interest in the Leases, rents, issues and profits pursuant to and in accordance with the terms of this Deed of Trust and California Civil Code § 2938. Prior to written notice given by Lender to Borrower of the breach by Borrower of any covenant or agreement of Borrower in this Instrument, Borrower shall collect and receive all rents and revenues of the Property as trustee for the benefit of Lender and Borrower, to apply the rents and revenues so collected to the sums secured by this Instrument in the order provided in Paragraph 3 hereof with the balance, so long as no such breach has occurred, to the account of Borrower. Upon delivery of written notice by Lender to Borrower of the breach by Borrower of any covenant or agreement of Borrower in this Instrument, Lender, may, but shall not be limited to, enforce Borrower's assignment for security purposes to of the leases, rents, issues and

profits, as set forth herein by taking, without limitation, one or more of the following actions: (a) obtaining the appointment of a receiver; (b) obtaining possession of the Leases, rents, issues and profits; (c) delivery to any one or more of the tenants of a written demand for turnover of the rents, issues and profits in accordance with § 2938 of the California Civil Code; or (iv) delivery to Borrower of a written demand for the leases and/or rents, issues and profits in accordance with § 2938 of the California Civil Code (collectively, the "**Enforcement Actions**"). On and after the date Lender takes one or more of the Enforcement Actions (the "**Enforcement Date**"), Lender shall be entitled to enforce any rights it may have under the Leases and/or collect and receive all rents, issues and profits therefrom that have accrued but remain unpaid and uncollected by Borrower or its agent, and all rents, issues and profits that accrue on or after the Enforcement Date. Notwithstanding whether Lender has taken one or more of the Enforcement Actions, Borrower shall, upon the occurrence of an event of default under this Deed of Trust, the Note or any of the other documents executed in connection therewith, immediately turnover to Lender all Leases and all rents, issues and profits then in its possession, or thereafter collected or received by Borrower or its agent. Lender may, in its sole discretion, unless otherwise required by law, apply all or any portion of the rents, issues and profits to: (i) reasonable costs of protecting and preserving the Property; (ii) the outstanding balance under the Note; and/or (iii) otherwise, in accordance with any of the documents executed in connection with the indebtedness evidenced by the Note. Neither the taking of an Enforcement Action by Lender, nor the collection, distribution or application of the rents, issues and profits by Lender shall do any of the following: (1) make Lender a mortgagee in possession of the Property; (2) constitute an action, render the indebtedness or any of the documents executed in connection with the indebtedness evidenced by the Note unenforceable, violate § 726 of the California Code of Civil Procedure or, other than with respect to marshalling requirements, otherwise limit any rights available to Lender with respect to its security; or (3) be deemed to create any bar to a deficiency judgment pursuant to applicable law, notwithstanding that the Enforcement Action may reduce the outstanding balance under the Note and any of the documents executed in connection therewith. Notwithstanding the foregoing, the remedies set forth herein shall be in addition to any and all other remedies which Lender may have under § 2938 of the California Civil Code or other applicable law. In furtherance of the purposes of this Deed of Trust, Borrower hereby appoints Lender as Borrower's attorney-in-fact, with full authority in the place of Borrower, at the option of Lender at any time after the occurrence and during the continuance of an event of default (subject to the provisions set forth above and § 2938 of the California Civil Code), and in the name of Borrower or Lender, to (a) bring suit and take other action to enforce the Leases, (b) enforce, supplement, modify, amend, renew, extend, terminate and otherwise administer the Leases and deal with lessees in relation to the Leases, (c) give notices, receipts, releases and satisfactions with respect to the Leases and the rents, issues and profits and other amounts payable under any Lease, and (d) take such other action as Beneficiary may reasonably deem necessary or advisable in connection with the exercise of any right or remedy or any other action taken by Lender under this Deed of Trust. In addition, upon an event of default and/or Lender's claim of the existence of an event of default, Borrower hereby consents to and irrevocably authorizes and directs the tenants under the Leases and any successor to the interest of such tenants, upon receipt of demand and notice from Lender in accordance with § 2938 of the California Civil Code, to remit directly to Lender (or to a court-appointed receiver) the rents, issues and profits and other amounts due or to become due under the Leases. Tenants shall have the right to rely upon this authorization and direction and such demand and notice from Lender, and the tenants shall pay such rents, issues and profits and other amounts directly to Lender without any obligation or right to determine the actual existence of any event of default or other event claimed by Lender as the basis for Lender's right to receive such rents, issues and profits and other amounts, notwithstanding any notice from or claim of Borrower to the contrary. Borrower shall have no right or claim against a tenant for any such rents, issues and profits and other amounts so paid by the tenant to Lender.

Borrower hereby covenants that Borrower has not executed any prior assignment of said rents, that Borrower has not performed, and will not perform, any acts or has not executed, and will not execute, any instrument which would prevent Lender from exercising its rights under this Paragraph 26, and that at the time of execution of this Instrument, there has been no anticipation or prepayment of any of the rents of the Property for more than two (2) months prior to the due dates of such rents. Borrower covenants that Borrower will not hereafter collect or accept payment of any rents of the Property more than two (2) months prior to the due dates of such rents. Borrower further covenants that Borrower will execute and deliver to Lender such further assignments of rents and revenues of the Property as Lender may from time to time request.

If the rents of the Property are not sufficient to meet the costs, if any, of taking control of and managing the Property (in accordance with the provisions hereof) and collecting the rents, any funds expended by Lender for such purposes shall become indebtedness of Borrower to Lender secured by this Instrument pursuant to Paragraph 8 hereof. Unless Lender and Borrower agree in writing to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment thereof and shall bear interest from the date of disbursement at the rate stated in the Note unless payment of interest at such rate would be contrary to applicable law, in which event such amount shall bear interest at the highest rate which may be collected from Borrower under applicable law.

Any entering upon and taking and maintaining of control of the Property by Lender or the receiver and any application of rents as provided herein shall not cure or waive any default hereunder or invalidate any other right or remedy of Lender under applicable law or provided herein. This assignment of rents of the Property shall terminate at such time as this Instrument ceases to secure indebtedness held by Lender.

Non-Uniform Covenants. Borrower and Lender further covenant and agree as follows:

27. ACCELERATION; REMEDIES. Upon Borrower's breach of any covenant or agreement of Borrower in this Instrument, including, but not limited to, the covenants to pay when due any sums secured by this Instrument, Lender at Lender's option may declare all of the sums secured by this Instrument to be immediately due and payable without further demand, and may invoke the power of sale and any other remedies permitted by applicable law or provided herein. Borrower acknowledges that the power of sale herein granted may be exercised by Lender without prior judicial hearing. Borrower has the right to bring an action to assert the non-existence of a breach or any other defense of Borrower to acceleration and sale. Lender shall be entitled to collect all costs and expenses incurred in pursuing such remedies, including, but not limited to, attorney's fees and costs of documentary evidence, abstracts and title reports.

If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute a written notice of the occurrence of an event of default and of Lender's election to cause the Property to be sold and shall cause such notice to be recorded in each county in which the Property or some part thereof is located. Trustee shall give notice of default and notice of sale and shall sell the Property according to the laws of California. Trustee may sell the Property at the time and place and under the terms designated in the notice of sale in one or more parcels and in such order as Trustee may determine. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or Lender's designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all costs and expenses of the sale, including, but not limited to, Trustee's and attorney's fees and costs of title evidence; (b) to all sums secured by this Instrument in such order as Lender, in Lender's sole discretion, directs; and (c) the excess, if any, to the person or persons legally entitled thereto.

28. **RECONVEYANCE.** Upon payment of all sums secured by this Instrument, Lender shall request Trustee to reconvey the Property and shall surrender this Instrument and all notes evidencing indebtedness secured by this Instrument to Trustee. Trustee shall reconvey the Property without warranty to the person or persons legally entitled thereto. Such person or persons shall pay Trustee's reasonable costs incurred in so reconveying the Property.

29. **SUBSTITUTE TRUSTEE.** Lender, at Lender's option, may from time to time, by an instrument in writing, appoint a successor trustee to any Trustee appointed hereunder, which instrument, when executed and acknowledged by Lender and recorded in the office of the Recorder of the county or counties where the Property is situated, shall be conclusive proof of proper substitution of such successor trustee. The successor trustee shall, without conveyance of the Property, succeed to all the title, powers and duties conferred upon the Trustee herein and by applicable law. Said instrument shall contain the name of the original Lender, Trustee and Borrower hereunder, the book and page where this Instrument is recorded, and the name and address of the successor trustee. If notice of default has been recorded, this power of substitution cannot be exercised until after the costs, fees and expenses of the then acting Trustee have been paid to such Trustee who shall endorse receipt thereof upon such instrument of substitution. The procedure herein provided for substitution of trustee shall govern to the exclusion of all other provisions for substitution, statutory or otherwise.

30. **REQUEST FOR NOTICES.** Borrower requests that copies of the notice of default and notice of sale be sent to Borrower at Borrower's address stated below.

31. **STATEMENT OF OBLIGATION.** Lender may collect a fee not to exceed the maximum allowed by applicable law for furnishing the statement of obligation as provided in § 2943 of the Civil Code of California.

32. **SPOUSE'S SEPARATE PROPERTY.** Any Borrower who is a married person expressly agrees that recourse may be had against his or her separate property.

33. **FUTURE ADVANCES.** Upon request of Borrower, Lender, at Lender's option so long as this Instrument secures indebtedness held by Lender, may make Future Advances to Borrower. Such Future Advances, with interest thereon, shall be secured by this Instrument when evidenced by promissory notes stating that said notes are secured hereby. At no time shall the principal amount of the indebtedness secured by this Instrument, not including sums advanced in accordance herewith to protect the security of this Instrument, exceed the original amount of the Note (US $1,500,000.00) plus the additional sum of US $_____N/A_____.

[end of text of document-signature on following page]

IN WITNESS WHEREOF, Borrower has executed this Instrument or has caused the same to be executed by its representatives thereunto duly authorized.

BORROWER:

North Beach Retail Associates,
a California limited liability company

By: **The John Stewart Company,**
A California corporation
Its managing member

By:_____
Jack D. Gardner
Its President

ACKNOWLEDGMENT

STATE OF CALIFORNIA)
) SS
COUNTY OF _____)

On _____, _____ before me, _____, Notary Public, personally appeared
_____,
□ personally known to me - OR - □ proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature of the Notary

(Area above reserved for official seal)

REQUEST FOR FULL RECONVEYANCE

To Trustee:

The undersigned is the holder of the note or notes secured by this Instrument. Said note or notes, together with all other indebtedness secured by this Instrument, have been paid in full. You are hereby directed to cancel said note or notes and this Instrument, which are delivered hereby, and to reconvey, without warranty, all the estate now held by you under this Instrument to the person or persons legally entitled thereto.

Dated: _____ _____

EXHIBIT A

LEGAL DESCRIPTION

The land referred to herein is situated in the City and County of San Francisco, State of California, and is described as follows:

EXHIBIT B

Exhibit B to Deed of Trust, Assignment of Rents and Security Agreement (the "**Instrument**"), executed by North Beach Retail Associates, LLC, a California limited liability company("**Borrower**"), to CITIBANK SERVICE CORPORATION, as Trustee for the benefit of Citibank, F.S.B., a federal savings bank ("**Lender**") dated November 1, 2002.

DESCRIPTION

A. The Property, together with all estate, interest, homestead or other claims, in law and at equity, which Borrower now has or may hereafter acquire in or to the Property, together with all development rights, air rights, mineral rights, water, water rights and water stock relating to the Property, and including without limitation all Borrower's rights as lessor in any oil and gas lease, and including any interest in proceeds from production from co-lessors' property under any community oil and gas lease;

B. All present and future structures, buildings, improvements, appurtenances and fixtures of any kind owned by Borrower on the Property, including but not limited to all affixed apparatus, equipment, machinery, fittings and appliances used in connection with the operation or occupancy of the Property, such as heating and air-conditioning systems and facilities used to provide any utilities services, refrigeration, ventilation, plumbing, fire prevention, fire extinguishing, or other services on the Property, and all affixed communications apparatus, elevators, escalators, lockers, vaults, cabinets, cooking facilities, furnaces, antennae, all shrubs, trees, plants and other landscaping, irrigation equipment, pipes, tanks, wells and pumps, including replacements and additions thereto and substitutions therefor, whether or not attached or affixed to the Property.

C. All appurtenances to the Property and all rights, licenses, profits, liens, tenements, hereditaments, franchises and privileges of Borrower in and to any streets, roads or public places, easements or rights of way, relating to the Property;

D. All parking, recreational and other easements now or hereafter created for the benefit of all or any part of the Property including but not limited to any easements referred to in any covenants, conditions and restrictions, which have or will be recorded, as they relate to any portion of the Property;

E. All of the rents, royalties, issues, profits, reserves and income (other than donations, membership dues, and proceeds of non-capital fund raising events) of the Property, subject, however, to the license conferred upon Borrower hereunder to collect and apply the same so long as there is no default hereunder, and all rights of Borrower under all present and future leases affecting the Property, including but not limited to any security deposits;

F. All insurance or other proceeds and claims arising on account of any damage to or taking condemnation of the Property or any part thereof and all causes of action and recoveries for any loss or diminution in the value of the Property;

G. All existing and future goods owned by Borrower located on or about the Property which are used in the operation or occupancy of the Property or in any development of or construction on the Property but which are not effectively made real property under paragraph B above, including but not limited to all construction tools and equipment, and building materials, supplies and equipment and all growing crops;

H. All general intangibles relating to the development, use or occupancy of or construction on the Property, including but not limited to all governmental licenses, map rights, approvals and permits, all materials prepared for filing or filed with any public or quasi-public governmental entities or any public utilities, all Borrower's rights under any contract whether or not otherwise specifically assigned to Beneficiary, all names under or by which the Property or any part thereof at any time be operated or known, all rights to carry on business under any such names or any variants thereof, and all trademarks and goodwill in any way relating
to the Property;

I. All of the right, title and interest of Borrower in and to (i) all refundable or returnable fees, bonds, securities or other property held by any public or quasi-public governmental entities, utility companies or others; (ii) all leases of any part or all of the Property now or hereafter entered into and all right, title and interest of Borrower thereunder, including but not limited to cash or securities which are to be held until the expiration of the terms of said leases or applied to one or more of the installments of rent coming due immediately prior to the expirations of said terms; (iii) all advance payments of insurance premiums made by Borrower with respect to any part of the Property and claims or demands relating to insurance premiums made by Borrower with respect to any part of the Property and claims or demands relating to insurance; and (iv) all advance payments by Borrower of any kind including but not limited to those under maintenance or service contracts, property taxes, advertising expenses and commissions;

J. All of Borrower's right, title and interest in or under any and all rehabilitation or repair loan or grant commitments relating to any portion of the Property, in both cases which are presently existing or may be acquired in the future, and as they may be amended from time to time.

K. The proceeds of all of the above.

SAN FRANCISCO HOUSING AUTHORITY

440 TURK STREET • SAN FRANCISCO, CALIFORNIA 94102 • (415) 554-1200

November 14, 2002

DOCUMENTS DEPT.

DEC 18 2002

SAN FRANCISCO
PUBLIC LIBRARY

TO: SAN FRANCISCO HOUSING COMMISSION

Sululagi Palega, Sr., President
Julie Lee, Vice President
George R. Brown, Commissioner
Betty J. Smith, Commissioner
Andrew Clark, Commissioner
Neola Gans, Commissioner

FROM: Gregg Fortner – Executive Director

SUBJECT: **RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A CONTRACT WITH MODULAR INFORMATION SYSTEMS TO SUPPORT THE SAN FRANCISCO HOUSING AUTHORITY IN ITS SEARCH FOR NEW FINANCIAL AND HOUSING SOFTWARE**

Overview

The San Francisco Housing Authority last looked for new financial and housing software in 1992 and began implementation of the Creative Computer Solutions software application in 1993. The software available at that time was very limited and, of course, there have been many changes in the housing software industry since that time. Last year our current software provider increased our annual maintenance fee for software support by over 600%, from $12,000 per year to $74,000 per year. We, along with many other housing authorities, began to look at the alternatives in the market for housing authority software. We discovered that, compared to 1992, there are many more vendors competing in the housing software market with software that is much more powerful. This new software is increasingly capable of giving more power to the users, more capable in meeting the reporting demands of HUD, more user friendly, and more able to help our employees to do their jobs. We decided to begin the process of defining our needs toward a new software package in the following areas: Housing Eligibility Wait Lists, Tenant Accounting, Section 8 Accounting, Maintenance Work Orders, Modernization and Development, Hope VI New Construction, Equipment Maintenance, Fixed Assets, General Ledger, Purchasing, Contract Management, Grants Management, Inventory Control, Accounts Payable, Human Resources, Payroll, Bank Reconciliation, and Legal Tracking.

42710

Objectives

The approval of this resolution will allow the SFHA to contract with Modular Information Systems, a consulting firm specializing in housing authority RFP creation, to:

- conduct a user needs analysis in each software module area, which will be used in defining the requirements in the Request for Proposal (RFP).
- Prepare the scope of work and evaluation criteria for the RFP.
- Provide technical assistance in the evaluation of the RFP respondents.
- Provide technical assistance in contract negotiations with the selected vendor.

Present Situation

The Creative Computer Solutions software that we are currently using was installed to meet our financial and housing needs beginning in 1993. In many areas the software has proved deficient, particularly in the accounting area. Audit findings by the HUD OIG severely criticized the fact that our software made it is difficult to trace general ledger entries back to their origin in purchasing, inventory control and accounts payable. There have also been major deficiencies in contract management and grants management. Another more general criticism of our current software is the difficulty for users wishing to create ad hoc reports and also to create reports that will feed easily into an Excel spreadsheet for data manipulation. We are expecting to correct these deficiencies and add other features with more current software.

Anticipated Outcomes

By the end of this process, we expect to have a document that will define all of the requirements for our new software system. This document will incorporate all of the HUD requirements, legal requirements, financial requirements, business requirements and reporting requirements that the SFHA needs to function efficiently. The document will detail for the vendors what functionality their software must have.

Who Benefits

Residents benefit since Housing Authority staff can be responsive to issues more quickly as access to system data will increase substantially. The staff of the SFHA will benefit with increased data accessibility and ad hoc reporting capabilities.

Solicitation Process

The solicitation was issued August 5, 2002. The solicitation was issued to twenty consultants, and was placed on the City's Purchasing and the San Francisco Housing Authority websites. The due date for submitting proposals was September 4, 2002 which fourteen proposals were received. The consultants responding to the solicitation were:

CONSULTANTS	LOCATION
ARIStek	
Bronner Group, LLC	Chicago, IL
Casterline Associates, P.C.	Valley Forte, PA
CIBER, Inc.	San Francisco, CA
Gartner	San Jose, CA

Information Engineering Services, Inc.(IES)	Alexandria, VA
ISIS Management Group	San Francisco, CA
KPMG Consulting	Oakland, CA
KPMG LLP	San Francisco, CA
McWilliams Mailliard Technology Group, Inc.	San Francisco, CA
Modular Information Systems (MIS)	San Ramon, CA
Pacific Technologies, Inc.(PTI)	Bellevue, WA
Soft Resources Software Consulting	Seattle, WA
Stratus Consulting Group	Des Plaines, IL

EVALUATION CRITERIA: The four-member Selection Review Panel, all employees of the Authority, reviewed and evaluated the proposals according to the evaluation criteria outlined in the solicitation. The evaluation criteria were:

• Past Experience	45%
• Proposed Method of Delivery	45%
• Affirmative Action Practices	10%
TOTALS	**100%**

Based upon the Selection Review Panel's preliminary scores, six firms were selected for oral presentation. The firms interviewed were:

- Bronner Group, LLC, Chicago, IL
- Casterline Associates, P.C., Valley Forte, PA
- CIBER, Inc., San Francisco, CA
- KPMG Consulting, Oakland, CA
- McWilliams Mailliard Technology Group, Inc., San Francisco, CA
- Modular Information Systems, San Francisco, CA

Recommendation and Justification

Modular Information System ranked the highest in technical review and oral presentation.

Consultants	Ranking	Score	Fee
Modular Information System	1	91.8	64,150
KPMG Consulting	2	89	235,755
Bronner Group	3	85	131,250
Casterline Associates, P.C.	4	76	67,245
CIBER, Inc.	5	72.5	112,860
McWilliams Mailliard Technology Group	6	68.3	88,570

The Selection Review Panel recommended Modular Information Systems for the following reasons:

- Modular Information Systems has done software systems RFP's for three other housing authorities; references in this area were excellent.
- Laid out a very detailed plan indicating exactly how the process will proceed.

- Pricing structure was very detailed and worked through.
- Local company (Bay Area)
- Willingness to hire an intern to meet resident hiring requirements.
- Demonstrated an understanding of how housing authorities work, which is an indication a lot of time will not have to be spent acclimating the firm to the Authority's environment.
- Exemplified the ability to work with a diverse group of individuals

In addition to Modular Information Systems ranking the highest in technical factors, the firm also provided the lowest fee proposal. The firm's fee proposal is $35,850 below the Authority's independent cost estimate of $100,000. The firm ranking second in technical factors, 2.8 points below Modular Information Systems exceeds the independent cost estimate by $135,755. The consulting firm to provide a competitive fee proposal to that of Modular Information Systems was Casterline Associates, Inc., but Casterline's technical factors place fourth in the ranking, 15.8 points below Modular Information Systems.

Other Evaluation Factors

CONSULTANTS	MBE/WBE	RESIDENT HIRING
Modular Information System	None	Yes
KPMG Consulting	19%	None
Bronner Group	100%	Yes
Casterline Associates, P.C.	27%	None
CIBER, Inc.	20%	None
McWilliams Mailliard Technology Group	100%	None

RECOMMENDATION: Based on the best value evaluation, the recommendation is to award the contract to Modular Information Systems, Inc. in the amount of $64,150 to provide the needs assessment for new housing and accounting software for the authority.

Budget Consideration
Funding for this project is budgeted from 2002 Capital Fund Program.

Recommendations
Your approval of this resolution is requested.

RESOLUTION NO. _____
DATE ADOPTED: _____

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A CONTRACT WITH MODULAR INFORMATION SYSTEMS TO SUPPORT THE SAN FRANCISCO HOUSING AUTHORITY IN ITS SEARCH FOR NEW FINANCIAL AND HOUSING SOFTWARE.

WHEREAS; the Authority faced the issue of outmoded and outgrown financial and housing software; software that no longer meets the minimum requirements for giving our staff the tools they need to perform their duties and comply with HUD requirements; and

WHEREAS; the Authority has decided to search for new housing and financial software; and

WHEREAS, the Authority solicited, in full and open competition, proposals to assist in the selection of a new Housing Authority computer software package pursuant to its Request for Proposals (RFP); and

WHEREAS, the Authority received proposals from Modular Information Systems, Bronner, KPMG Consulting (Bearing Point), McWilliams Mailliard Technology Group, Casterline, Ciber, ISIS, KPMG LLP, Information Engineering, Pacific Technology, Gartner, Stratus, Soft Resources and ARIS in a timely and acceptable manner; and

WHEREAS, the Authority established a review panel to scrutinize and evaluate each proposal in accordance with the evaluation criteria published in the RFP; and

WHEREAS, after careful evaluation, Modular Information Systems was determined to be the respondent that could provide the required systems and related services in a manner that is most advantageous to the Authority, cost and other factors considered; and

WHEREAS, the procurement process for this contract meets the procurement standards of 24 CFR 85.36 "Procurement", HUD Handbook 7460.8 REV 1 "Procurement Handbook for Public Housing Agencies and Indian Housing Authorities", the San Francisco Housing Authority Procurement Policy Manual and the State of California and local laws; and

WHEREAS, funding for the required systems and services is available from the 2002 Capital Fund Program; and

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION OF THE HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO THAT:

1. The Commission approves and authorizes the Executive Director to enter into a contract with Modular Information Systems.
2. The sum of this contract will be in an amount not to exceed $64,150.00
3. This Resolution shall take effect immediately.

APPROVED AS TO FORM:

Carl L. Williams, General Counsel

11-6-02
Date

REVIEWED BY:

Gregg Fortner, Executive Director

11/8/02
Date

SAN FRANCISCO HOUSING AUTHORITY

440 TURK STREET • SAN FRANCISCO, CA 94102 • PHONE (415) 554-1200 • FAX (415) 554-1316

DOCUMENTS DEPT.

DEC 18 2002

SAN FRANCISCO
PUBLIC LIBRARY

DATE: November 5, 2002

TO: San Francisco Housing Authority Commission

Sululagi Palega, Sr., President
Julie Lee, Vice President
George R. Brown, Commissioner
Betty J. Smith, Commissioner
Andrew Clark, Commissioner
Neola Gans, Commissioner

FROM: Gregg Fortner, Executive Director

SUBJECT: RESOLUTION APPROVING THE WRITE-OFF OF VACATED TENANT ACCOUNTS RECEIVABLE IN THE AMOUNT OF $453,286.48 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002.

OVERVIEW

The San Francisco Housing Authority Board of Commissioners is requested to authorize the write-off of vacated tenant accounts receivable totaling $453,286.48 for the fiscal year period of October 1, 2001 through September 30, 2002 (FY02).

TIMEFRAME

Pursuant to HUD Handbook 7511.1, Chapter 11, Section 1, the SFHA writes off vacated tenant accounts receivables with no activity or anticipated collection action. These vacated tenants accounts receivables are balances owed to the SFHA for the non-payment of rent and/or other charges by households who are no longer living in a SFHA unit. Writing off such accounts does not preclude the SFHA from pursuing collection actions against the vacated residents. Moreover, residents who vacate without paying off their delinquent accounts are not permitted to receive public housing assistance in the future unless their outstanding balances are paid in full.

The SFHA reports delinquent accounts to the National Tenant Network (NTN) for current credit information. Whenever a former SFHA resident with a delinquent account applies for housing assistance anywhere in the United States, the NTN notifies the SFHA. Before any participating housing agency accepts a former SFHA resident, a repayment agreement must be made with the SFHA to settle the entire delinquent balance.

OBJECTIVE

The objective of writing off $453,286.48 in vacated tenant accounts receivables is to comply with the HUD guidelines and to follow generally accepted accounting principles (GAAP) for fiscal year-end recording and financial statement purposes.

PRESENT SITUATION

The Commission must authorize the write-off of accounts receivable balances before any accounting entry is recorded for the fiscal year ended September 30, 2002. With the Commission's authorization, the accounts receivable write-off and other unrelated closing accounting entries will proceed and the November 30, 2002 submittal deadline to HUD for the unaudited financial statements can be met.

ANTICIPATED OUTCOME

The anticipated outcome is that the SFHA will more accurately reflect the outstanding tenant accounts receivable balance for the new fiscal year, beginning October 1, 2002. The adjusted accounts receivable will be used to determine the final score for Indicator 2 of the Public Housing Assessment System (PHAS): Financial Condition – Tenant Receivables Outstanding.

WHO BENEFITS

This resolution benefits the Authority by ensuring compliance with the HUD and GAAP guidelines and by accurately reflecting the Tenant Receivables Outstanding for the PHAS score report.

BUDGET CONSIDERATION

Collection losses were budgeted at $180,000 for FY02. The SFHA is pursuing a more aggressive write-off practice this fiscal year (FY02) to more accurately reflect the collections of tenant accounts receivable.

IMPLEMENTATION

The Commission must approve any write-off from tenant accounts receivable prior to entering any accounting adjustment.

RECOMMENDATION

It is recommended that the Board of Commissioners approve the attached resolution authorizing the write-off of vacated tenant accounts receivable in the amount of $453,286.48 for the fiscal year ended September 30, 2002.

RESOLUTION NO.: _____
DATE ADOPTED: _____

RESOLUTION APPROVING THE WRITE-OFF OF VACATED TENANT ACCOUNTS RECEIVABLE IN THE AMOUNT OF $453,286.48 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

WHEREAS, HUD Handbook 7511.1, Chapter 11, Section 1 details procedures on the write-off of vacated tenant accounts receivable, and the San Francisco Housing Authority is in compliance with those procedures and is following generally accepted accounting principles for year-end recording and financial reporting purposes; and

WHEREAS, the HUD Handbook requires that any write-off of tenant accounts receivable must be approved by the Board of Commissioners or by a designated official to whom such authority has been delegated by the Board of Commissioners; and

WHEREAS, the Board of Commissioners is authorized by Resolution No. 2784, dated February 27, 1986, to write off tenant accounts;

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION OF THE HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO THAT:

1. The vacated tenant accounts receivable approved for write-off for the fiscal year ended September 30, 2002, shall be $453,286.48.

2. This resolution shall take affect immediately.

APPROVED AS TO FORM AND LEGALITY:

Carl Williams, General Counsel

11-8-02
Date

REVIEWED BY:

Gregg Fortner, Executive Director

11/8/02
Date

SF
165
3
11/14/02

HOUSING AUTHORITY
OF THE
CITY AND COUNTY OF SAN FRANCISCO

Minutes of Regular Meeting
Thursday, November 14, 2002

440 Turk Street
San Francisco, California

The Housing Authority of the City and County of San Francisco met in a regularly scheduled meeting at 440 Turk Street, San Francisco, California on Thursday, November 14, 2002, at 4:00 p.m.

President Sululagi Palega called the meeting to order at 4:24 p.m.

1. ROLL CALL

DOCUMENTS DEPT.
DEC 18 2002
SAN FRANCISCO
PUBLIC LIBRARY

Roll call found the following members to be:

PRESENT: *Sululagi Palega, Sr., President*
Julie Lee, Vice President
George R. Brown, Commissioner
Betty J. Smith, Commissioner
Andrew Clark, Commissioner (excused at 5:40 p.m.)
Neola Gans, Commissioner

A quorum was present.

ALSO PRESENT: *Mr. Gregg Fortner, Executive Director/Secretary*
Mr. Carl L. Williams, General Counsel

2. APPROVAL OF AGENDA

Commissioner Smith moved to approve the agenda and Commissioner Gans seconded the motion. The motion to approve the agenda was carried by a unanimous vote.

3. APPROVAL OF MINUTES

Commissioner Smith moved to approve the minutes of the October 24, 2002 Regular Commission Meeting. Commissioner Brown seconded the motion. The motion to approve the minutes of the October 24, 2002 Regular Commission Meeting was carried by a majority vote. Commissioner Lee abstained due to her absence at that meeting.

4. GENERAL COMMUNICATIONS

Executive Director Gregg Fortner reported on three items contained in the Commissioners' folders. The first was the Commission Request Log. Mr. Fortner asked the Commission to allow the report regarding the number of vacant units and schedule for

occupancy, be given at the next regularly scheduled meeting. The Commission did not object. Next, Mr. Fortner summarized the correspondence from HUD stating that no systemic problems were found with the current SFHA programs. Correspondence was also received from the Deputy Assistant Secretary in Washington regarding the allocation of the operating fund. Mr. Fortner stated that he would expound on this topic during the Report of the Secretary.

5. REPORT OF SECRETARY

In regards to the aforementioned letter from the Deputy Assistant Secretary in Washington, Mr. Fortner explained that the operating subsidy is supposed to be received at the beginning of every month from HUD. The funding for October was received with half of the November monies, six weeks late. Mr. Fortner reported that there were serious problems in HUD's funding that affected the Housing Authorities across the country. Furthermore, Mr. Fortner stated that he is bringing this to the attention of the Commissioners due to the rampant rumors that the SFHA will have to operate on 60% of its budgeted money, that money may be diverted, or year-end adjustments for utilities may not be calculated. None of this has been confirmed, but HUD did alter the funding disbursements from monthly to weekly distributions. This can potentially become complicated as the SFHA waits for a check each week. Mr. Fortner assured the Commission that he would notify them of any delinquency. He also thanked Senator Pelosi for her involvement in ensuring that we received funding.

In reference to the correspondence, Commissioner Clark asked why the SFHA is involved with TARC. Mr. Fortner replied that prior to his arrival to this organization, an agreement was entered into with TARC because at the time, they were able to provide more resources than HUD. Commissioner Clark then asked if the SFHA was considered troubled. Mr. Fortner replied that the SFHA is not on the troubled list. Commissioner Palega added that in 1996, the SFHA was on the troubled list, but the newly elected Mayor Brown asked HUD to step in and assist the SFHA in its removal from that list. TARC was an integral entity in making that happen. By 1998 the SFHA was off the troubled list. Commissioner Palega stated that TARC expects repayment of all funding resources allocated to the SFHA. Mr. Fortner commented that the SFHA is working on improving its relationship with TARC.

Commissioner Palega asked if HUD was going to issue any correspondence detailing the changes in the payment structure. Mr. Fortner answered that the message was downloaded. Commissioner Palega asked if the Commission could receive a copy of the downloaded message.

6. COMMITTEE REPORTS

Diversity Committee

No report.

Finance Committee

President Palega announced that the Finance Committee met on November 12, 2002 at 4:30 p.m. The Public Housing budget was examined and questions were raised regarding how much money had been spent versus how much was budgeted. The SFHA staff confirmed that everything was in order and the reports are available to the public. President Palega stated that the 2003 fiscal year would have a surplus of $710,000. The Section 8 budget was overspent due to the lease up efforts, and reopening the Section 8 Eligibility list, but the advantage is that there will not be a deficit in either of the programs. President Palega also stated that concerns were raised regarding the funding of North Beach as it related to the weapons inspections in Iraq. Since the government proceeded with the inspections, the funding concern of North Beach was no longer an issue. Furthermore, President Palega commented that the North Beach documents were a lot to digest in the given time frame.

Personnel Committee

No report.

7. REPORT OF GENERAL COUNSEL

General Counsel Carl Williams reminded the Commission of the Closed Session concerning the items noticed on the Agenda. Mr. Williams clarified that there was no resolution regarding the last item on the Agenda under New Business. The only action required is an announcement of whether the Commission decides to hold the regularly scheduled meetings during the holiday season.

President Palega suggested that this issue be addressed during the Report of General Counsel, and if there were no objections, the meetings of November 28, 2002 and December 26, 2002 be cancelled. Mr. Williams asked that the Commission officially vote on the cancellation. Commissioner Brown moved that the meetings of November 28, 2002 and December 26, 2002 be cancelled. Commissioner Smith seconded the motion. The motion was carried by a unanimous vote.

Mr. Fortner stated that a Special Meeting would be called if circumstances deemed it necessary.

8. TENANT REPRESENTATIVE REPORT

City Wide Council - Senior/Disabled

President William Vitale announced that the November seminar was postponed due to the illness of the program director. He also invited the Commissioners to the City Wide

Council Holiday Volunteer Appreciation Luncheon. The effort to raise money for this event is currently underway.

Public Housing Tenants Association (PHTA)

Paulette Budrow, the President of Bernal Dwellings thanked the staff for inviting her to the Commission meeting. Ms. Budrow reported that Bernal Dwellings is bringing valuable resources to the community and that she had started a Senior and Youth Resource center at the development. Seniors are provided an escort service to and from the monthly tenant meetings and a social environment to engage with other members of the community. The youth program is comprised of approximately 60 people ranging from 9 to 21 years of age. The youth attended a job readiness program in preparation for a job workshop with UPS. The center has also collaborated with the SFHA tutorial program and the Computer Learning Center to provide services at the Bernal Dwellings. Ms. Budrow reported that since she's moved back into the Bernal Dwellings she has observed a significant increase in community participation. In addition to those who reside in the Bernal Dwellings, the Bernal Senior and Youth Center is accessible to the whole community. Ms. Budrow thanked the staff and the Commission for the opportunity to address the public and report on the progress of the Bernal Dwellings community.

Commissioner Brown asked what ages participate in the afterschool tutorial program. Ms. Budrow answered that under the direction of Belinda Morgan, the tutorial program assists students from ages 9 to 12.

9. PUBLIC COMMENTS ON AGENDA ITEMS: LIMITED TO 2 MINUTES

NOTE: *The public will have the opportunity to comment on agenda items prior to any action taken by the Commission pursuant to the San Francisco Housing Authority Rules Governing Public Testimony adopted 2/23/95 as Resolution No. 4423. Prior to adjournment, after Item No. 11, the public will have the opportunity to comment on items not on the agenda.*

Derek Green, Business Representative of the International Brotherhood of Electrical Workers, Local 6 in San Francisco addressed the Commission regarding Item A under New Business. Mr. Green reported that the Local 6 values the Housing Authority as a contractor with Local 6 members. Apprenticeship is encouraged, especially in enrolling residents into the apprenticeship program. Apprenticeship application notices are actively distributed to more than 80 community-based organizations. The Local 6 also participates in community job fairs and residents are assisted in filling out the application and tutored in information to help when taking examinations. Mr. Green stated that the negotiation process was efficient, organized, and it was a pleasure to work with the SFHA staff. The agreement reached will be extremely beneficial to the employees and the

SFHA. Mr. Green described the agreement before the Commission as fair and equitable and encouraged the adoption of the Resolution and agreement.

Dan Angel, Business Representative of the Glaziers Local Union 718 echoed the comments of Derek Green. In addition, Mr. Angel commented that the Staff were very professional during the negotiations and urged the Commission to pass the Resolution and Agreement pertaining to the Glaziers Local Union 718.

10. UNFINISHED BUSINESS:

There was no unfinished business.

11. NEW BUSINESS

Prior to the Commission's consideration of New Business items A through D, Executive Director Gregg Fortner suggested that due to the related nature of the resolutions, they simultaneously be considered for approval. The Commissioners agreed to do so.

RESOLUTION No. 5064

(A) RESOLUTION RATIFYING THE APPROVAL AND EXECUTION OF A MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN THE SAN FRANCISCO HOUSING AUTHORITY AND THE ELECTRICIAN'S UNION LOCAL 6

RESOLUTION No. 5065

(B) RESOLUTION RATIFYING THE APPROVAL AND EXECUTION OF A MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN THE SAN FRANCISCO HOUSING AUTHORITY AND THE GLAZIERS' UNION LOCAL 718

Paul Howard, Human Resources Manager provided the details of the resolution and MOU. Mr. Howard stated that the previous M.O.U. for the Electricians expired on September 30, 2002. The negotiations for a new M.O.U. began in late August. The economic provisions of this M.O.U. are in compliance with Federal Regulations and are consistent with the SFHA practice of paying craft wages paralleling those of the City and County of San Francisco. Contained in the M.O.U. is a more comprehensive Management Rights Clause, and performance accountability provision in comparison to the previous M.O.U. Mr. Howard explained that this M.O.U. furthers the SFHA's efforts to achieve a higher degree of uniformity and standardization among all M.O.U.'s. It is a four-year agreement, which provides long term stability and harmony with the Union.

Commissioner Clark asked if this was the budget request, or is the budget request separate. Mr. Howard answered that the money to provide wage adjustments was already included in the 2003-2004 budget. Commissioner Clark asked how many electricians and glaziers are employed by the SFHA. Mr. Howard responded that seven electricians and four glaziers are employed by the SFHA. Commissioner Clark then asked if the electricians are employees of the Housing Authority. Mr. Howard answered that the electricians are employed in the Maintenance Department of the SFHA.

Commissioner Brown asked if the wage increase would be retroactively instituted in accordance with the expiration date of the previous M.O.U. Mr. Howard responded that the electricians' wage increase would retroactively take effect as of October 1, 2002 and the glaziers' wage increase would retroactively take effect as of July 1, 2002 in accordance with the Glazier's Masters agreement.

President Palega asked if four glaziers was enough to meet the demand of the SFHA. Executive Director Gregg Fortner responded that if the work becomes overwhelming, the SFHA hires union glaziers on a short-term basis to meet the needs. President Palega also inquired as to whether the Commission would be updated regarding the smoke detectors in the units. Specifically, he wanted to know if the electronic units were connected, because at the time of the need, there were not enough electricians available to address the problem. Mr. Fortner answered that the emergency fund took care of that issue and the electronic smoke detectors had since been connected. Mr. Fortner stated that a full report regarding the smoke detectors would be given at the next meeting.

Commissioner Clark moved to approve Resolutions 5064 and 5065. Commissioner Brown seconded the motion. The motion to approve Resolutions 5064 and 5065 was unanimously passed.

Resolution No. 5066

(C) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR AND THE PRESIDENT OF THE BOARD OF COMMISSIONERS TO SIGN THE SECTION 8 MANAGEMENT ASSESSMENT PROGRAM (SEMAP) CERTIFICATION

Lawrence Andrews, Administrator of the Section 8 Program explained the resolution. He stated that the Section Eight Management Assessment Program (SEMAP) is a document that evaluates the Section 8 management performance and upon Commission approval, will be submitted to HUD for the 2001-2002 fiscal year, as required. The SFHA's grading for this year is 82, which is standard performance. Mr. Andrews explained that the largest area the SFHA lacked in was in the utilization of the housing vouchers. Currently, the SFHA has accelerated its lease up efforts to get the available vouchers out to qualifying families as soon as possible.

Commissioner Clark asked Mr. Andrews to expound on the meaning of the SFHA being a standard performer. Mr. Andrews stated that according to the grading scale, a score below 60 is failing, between 60 and 90 is standard, and 90 and above is a high performer.

Commissioner Brown asked how the SFHA scored last year in comparison to this year. Mr. Andrews answered that last year, the SFHA was a standard performer receiving a score in the 80 point range.

President Palega added that the SFHA has increased its number of vouchers in comparison with last year. Had the same numbers from last year been employed, the SFHA would be a superior performer.

Commissioner Smith asked whether the Section 8 tenants paid utilities separately from their rent, or was it included. Mr. Andrews responded that both methods are used. If a family's income does not allow them to pay the utilities bill, the SFHA directly issues a utilities voucher to the family.

Commissioner Smith moved to approve Resolution No. 5066. Commissioner Gans seconded the motion. The motion to approve Resolution No. 5066 was passed by a unanimous vote.

Resolution No. 5067

(D) RESOLUTION APPROVING THE CERTIFICATION FOR THE PUBLIC HOUSING ASSESSMENT SYSTEM (PHAS) INDICATOR #3, MANAGEMENT OPERATIONS, FOR FISCAL YEAR 2002

Beverli Marshall, Director of Housing Management explained that the Public Housing Assessment System is designed to evaluate the operations of Public Housing. The score sheet, detailing the criteria to determine the SFHA's score, was included in the Commission's materials. In obtaining 26 out of 30 points, the SFHA scored 87%, indicating that the SFHA is a standard performer. This is the same score the SFHA received last year.

Commissioner Clark moved to approve Resolution No. 5067. Commissioner Brown seconded the motion. The motion to approve Resolution No. 5067 was carried by a unanimous vote.

Resolution No. 5068

(E) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE DOCUMENTS AND TAKE ACTIONS PERTAINING TO THE FINANCING OF NORTH BEACH PLACE, INCLUDING A MIXED FINANCE AMENDMENT, DECLARATION OF TRUST AND RESTRICTIVE COVENANTS, GROUND LEASES, REGULATORY AND OPERATING

AGREEMENT, HOPE VI LOAN DOCUMENTS, OPTION AGREEMENTS, SUBORDINATION AGREEMENTS, REVITALIZATION SERVICES AGREEMENT, RECIPROCAL EASEMENT AGREEMENT, NOTICE OF SPECIAL RESTRICTIONS, CERTIFICATIONS, AND OTHER DOCUMENTS **[AS AMENDED]**

Barbara Smith, Administrator for Housing Development and Modernization introduced the numerous people present at the Commission meeting who played an instrumental part in executing the documents and agreements for the completion of North Beach. Ms. Smith indicated that the adoption of this resolution would enable the SFHA to execute and submit the closing documents for the North Beach mixed financed, mixed income, and mixed use development. The 229 public housing units will be replaced by 138 new public housing units, 91 Section 8 units, and adding 112 affordable housing units for San Francisco. Included are extensive community facilities, 21,000 sq. ft. of commercial retail space, and 3,000 sq. ft. of resident incubator space. Authorization will allow the construction to proceed and enable the SFHA to meet the December tax credit deadline. Ms. Smith explained that the closing documents before the Commission are based on agreements and responsibilities negotiated over the last few years and authorized by numerous Commission actions. Most importantly, in October of 2001 the Commission authorized the execution of the disposition and development agreement between the Housing Authority and MBDA. This defined the terms of agreement of design, construction, financing, performance schedule, ownership, management, repurchase options, and the agreements currently under Commission consideration. The Housing Authority is providing financing for a little over $23 million in Hope VI revitalization and demolition grants. These funds are leveraging $84 million in outside funding. There are revenue opportunities and provisions for reacquisition for the Housing Authority or a designated non-profit affiliate of the property after the tax credit compliance period and initial commercial financing.

Housing will first be offered to the returning residents. During this process the residents are being tracked and all who remain in good standing are eligible to return. Extensive resident hiring opportunities are involved throughout this process and minority participation in all aspects.

President Palega asked that the next time documents of such high importance and volume are to be presented, the Commission receive more time to thoroughly examine them. President Palega also commented that he had questions for the resident representatives of North Beach, and was under the impression that they would be present. Now these questions would go unanswered. President Palega stated that he believed counsel should have briefed the Commissioners, on the legal documents, prior to the meeting.

Vice President Lee echoed the concerns of President Palega. In addition, she found no document indicating how much the rent was. Vice President Lee also voiced concerns regarding the length of the lease agreements and marketing analysis. Furthermore, she stated that the Commission needed more time to understand the documents before them.

Commissioner Smith stated that she didn't feel comfortable voting on documents she didn't fully understand. Ms. Smith empathized with the Commissioners and stated that some of the documents are even overwhelming for the staff. Mr. Fortner asked Ms. Smith if there was anything included in the Resolution that was time sensitive. Ms. Smith answered that the most time sensitive portion of the resolution is the authorization to execute the subdivision map, reciprocal easement agreements and the notice of special restrictions and subordination agreement. This allows the SFHA to go through the subdivision process so that the leases can be entered into when they are authorized. Lead time is necessary because of the time it takes to circulate through the city. Ms. Smith requested the approval of this portion of the resolution and the suggested briefings proceed during the next week. Mr. Fortner asked one of the project managers to address the Commission concerning the time sensitive materials.

Carol Galante of the Bridge Corporation stated that the time pressure in this situation is extreme. HUD has reviewed and is prepared to approve the evidentiary package, which will allow the closing to happen. Ms. Galante requested that a meeting be rescheduled as soon as possible so that the rest of the resolution can be passed and the process expedited. In response to Mr. Fortner's question, Ms. Galante stated that a meeting scheduled for next week would provide sufficient time, but echoed Barbara Smith's concerns that specific portions of the resolution needed to be passed on that day.

Commissioner Brown asked if this procedure was standard for a Hope VI project. Bob Mills of Goldfarb and Lipman explained that there are similarities and differences between the current and previous Hope VI projects. The leases are long term so that tax benefits are received and investors benefit as well. Unique to this project is that it spans over two city blocks and there is a commercial component. In addition City Bank is providing a long term, permanent loan extending for 30 years. This is also the first project to combine Public Housing, Section 8 and tax credit units. The Housing Authority maintains the option to purchase the property after the 15-year tax credit compliance period in each of the Hope VI projects. The commercial property can be bought back after 20 years. The Housing Authority is the land lessor and will retain the fee interest in the land and the improvements to the land are leased to the developer. The improvements would be acquired after the 15-year period. The Authority is also acting as a lender. The Hope VI money is being lent to the developer and the Authority has a secured interest by having a deed of trust against the property.

Commissioner Lee asked if the loan would be paid off in 30 years. Mr. Mills responded that when the SFHA exercises its option to acquire the land in 15 years, the loan will be forgiven because it will be the Authority's loan to itself. Furthermore, the Section 8 Citibank loan will expire in 15 years, but the other Citibank loan for $9 million, is a 30-year loan and is projected to be paid down to $7 million in 15 years.

Eric Olson, CSG advisor, explained how the tax credit works in the SFHA's favor to acquire the land after 15 years at the lowest possible cost. President Palega asked what

the buy-out cost would be in 15 years. Mr. Olson answered that it is the sum of the taxes that the exiting partner will have to pay and the exiting debt on the property. It is projected that the exiting partner will not have to pay anything and the outstanding debt is estimated to total $7 million. The Housing Authority will be able to buy out the residential portion of the property at that cost.

Commissioner Lee asked why is a 40 and 75 year lease necessary if the loan will be paid off in 15 years. Mr. Olson requested that the Commission indulge the developers to address the tax issue because the length of the lease doesn't adversely affect the Authority, but rather concerns the investors interests and the Authority's ability to attract an investor to contribute $48 million into this project. Shorter termed leases affected the yield the investor would contribute to the project.

Jack Gardner, President of the John Stewart Company addressed the issue of a 75-year lease. Mr. Gardner explained that after 15 years the SFHA would own the improvements on the land and the remaining 60 years of the residential lease would evaporate. The SFHA would become the fee owner of the improvements as well as the fee owner of the underlying land after 15 years. The 75-year lease is a tax issue because from the Internal Revenue's perspective it must be an economic transaction as opposed to a tax driven transaction. The investor must enter into this agreement with the potential of a long term benefits. Fifty five year use restrictions are being imposed on the property as a condition of the receipt of the low income housing tax credit that are being provided to that tax credit investor in exchange for their $48 million. In 55 years, when the loan is due, the IRS needs to be able to see that the value of that property has appreciated and would support enough debt if it was taken out by the current owner to repay the accrued debt on the property. The lease period has to extend 20 years beyond the end of the tax credit use restriction on the property. So, if the Housing Authority didn't acquire the land in 15 years, after 55 years, the projected value of the property would pay off all of the investor's outstanding debt. In order for the property to valuable enough, there has to be enough of a term left on the lease to finance against it. The same concept applies to the commercial property.

Mr. Fortner asked Bob Mills of Goldfarb and Lipman to explain why this is the best option for the SFHA. Mr. Mills explained that the extended lease term was the best option for the Housing Authority to avoid spending any additional funds.

Mr. Fortner also asked Eric Olson to explain CSG's role and his perspective on the agreement. Mr. Olson indicated that CSG is the Authority's financial advisor for this project and previous Hope VI projects. Mr. Olson stated that the length of the lease is of little consequence because the purchase price at the end of 15 years is already established.

President Palega reiterated that it was a lot of information to digest in such a short amount of time and other questions, such as how much the yearly rent is, remain undisclosed in any of the documents. Mr. Olson stated that he was prepared to address and answer those questions.

Vice President Lee requested that the Commission address the time sensitive portion of the resolution and consideration of the complete resolution occur at a later date. President Palega agreed with that suggestion.

Commissioner Brown asked if the complete resolution could be considered at the Special Meeting to be called the next week. Mr. Bob Mills explained that the execution of number five of the resolution is imperative. It will allow the Executive Director to sign the subdivision map and submit it to the city. If it is not executed, the closing will be delayed.

General Counsel, Carl Williams stated that a Commissioner should make a motion to authorize the Executive Director to execute the provision stated in number five of the resolution. The motion should be properly seconded and voted on. After which, staff can proceed with the most time sensitive portion of the resolution. In response to President Palega's inquiry, Ms. Galante commented that the execution of number five would keep the project on track to close in a timely manner.

President Palega clarified that after properly voted on, only number five of the resolution is to be executed. No other part of the resolution shall take effect until the Commissioners receive the requested information and approve the remainder of the resolution.

Commissioner Brown moved to amend the resolution to only approve number five, which read, the SFHA shall execute a Subdivision Map, the Reciprocal Easements Agreement, the Notice of Special Restrictions and Subordination Agreement to subordinate the Reciprocal Easements Agreement to the Declaration of Trust and Restrictive Covenants. Commissioner Lee seconded the motion. The motion to approve the resolution as amended was carried by a unanimous vote.

Mr. Fortner asked if the Commissioners were available for a Special Meeting on Wednesday. President Palega stated that the sooner the requested information is received the sooner a Special Meeting can be scheduled. President Palega stated that he would be out of town on Thursday and Friday. Mr. Fortner stated that phone calls would be made the next day to ascertain the Commissioners' availability for next week's special meeting.

Resolution No. 5069

(F) RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A CONTRACT WITH MODULAR INFORMATION SYSTEMS TO SUPPORT THE SAN FRANCISCO HOUSING AUTHORITY IN ITS SEARCH FOR NEW FINANCIAL AND HOUSING SOFTWARE

Phillip Grennan, the Information Systems Director explained the details of this resolution. Mr. Grennan stated that the SFHA has used its current system for the past 10 years and it

has become deficient operationally, with HUD and the SFHA auditors. The approval of this resolution will allow the SFHA to contract with the consulting firm, Modular Information Systems, to perform a comprehensive needs analysis for each software area of the agency, create an RFP, and the evaluation criteria for the respondents of the RFP, and to assist with contract negotiations of a new software vendor.

Commissioner Smith moved to approve Resolution No. 5069. Commissioner Brown seconded the motion. The motion to approve Resolution No. 5069 was passed by a unanimous vote. (President Palega was not present during the voting of this item.)

Resolution No. 5070

(G) RESOLUTION APPROVING THE WRITE-OFF OF VACATED TENANT ACCOUNTS RECEIVABLE IN THE AMOUNT OF $453,286.48 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

David Esparza, Finance Administrator requested the Commission's approval of this resolution. Mr. Fortner interjected that this item had been addressed at the Finance Committee meeting. Commissioner Brown added that the $453,286.48 was only a portion of the write-off and asked how much the other part was. Mr. Esparza responded that the SFHA currently has a little over $1 million in uncollected receipts, accounts receivable. Stipulated agreements have been entered into with tenants who are still living in SFHA properties, but owe past due amounts. The amount specified in the resolutions specifically pertains to tenants who have vacated the property and there is little or no hope in collecting the money in the future. Mr. Esparza explained that writing this off is not a forgiveness of the debt owed by the tenant but rather an accounting exercise with HUD to clean up a lot of the accounts receivable. Under the direction of the City Treasurer, the bureau within the City and Treasurer's Office will handle our debt collections for a percentage of the amount ultimately collected. The Treasurer's office has already produced a proposal for the SFHA consideration.

Commissioner Smith asked if potential tenants are forewarned of the consequences of not paying their rent. Ms. Beverli Marshall answered that the warning is specified in the lease. President Palega added that if a tenant owes rent and they apply somewhere else, when the SFHA is listed as a prior address, they will not receive a positive recommendation from the SFHA.

Commissioner Brown commented that the Finance Committee discussed instituting procedures to prevent tenants from owing rent for an extended period of time. Ms. Marshall explained that the SFHA aggressively seeks alternatives to evictions through non-profit agencies, and stipulated agreements. President Palega suggested that staff investigate how the SFHA can use the "Service not Cash" program to the Authority's advantage. Mr. Fortner added that the SFHA is standardizing its procedures to deal with the non-payment of rent cases more consistently.

Commissioner Brown moved to approve Resolution No. 5070. Commissioner Smith seconded the motion. The motion to approve Resolution No. 5070 was passed by a unanimous vote. (Vice President Lee was not present during the vote of this item.)

12. PUBLIC COMMENTS ON ITEMS NOT ON AGENDA

There were no public comments on items not on the agenda.

13. CLOSED SESSION

President Palega announced that the Commission had concluded its public agenda items and would go into closed session. A Closed session was scheduled with General Counsel and outside counsel under Government Code Section 54956.9 (b)(1) to discuss potential litigation (case name unspecified to avoid jeopardizing existing settlement negotiations); and a closed session was scheduled with the Executive Director, General Counsel, and Agency Negotiators as authorized by California Government Code §54957.6(a): Agency Negotiators: Glenda Powell, Rufus Davis, Cynthia Black, Mike Roetzer. Employee Organization: Service Employees International Union, Local 790, AFL-C10. The Commission went into closed session at 6:20 p.m.

14. RECONVENING OF THE COMMISSION MEETING

The Commission reconvened at 7:26 p.m. The Commission met in closed session to discuss the items noticed on the agenda. The Commissioners present in the closed session were President Palega, Vice President Lee and Commissioners Smith, Brown, and Gans. President Palega announced that no agreement had been reached as it pertained to the Union. The Executive Director was instructed to proceed and report back to the Commission. General Counsel Carl Williams specified that the Executive Director had been authorized to undertake discussions with HUD to address the various proposals and prospects of a repayment schedule and plan regarding HUD's contention of certain outstanding issues. The Executive Director is to report back to the Commission with specific plans, including written authorization or approval from HUD, concerning the proposed rescheduled and repayment plan. Commissioner Brown also noted that the SFHA staff would periodically update the Commission of the negotiating efforts between the SFHA and the SEIU, Local 790.

16. ADJOURNMENT

There being no further business to come before the Commission, Commissioner Brown moved to adjourn the meeting. President Palega adjourned the regularly scheduled meeting of November 14, 2002 at 7:30 p.m.

Gregg Fortner, Secretary/Executive Director

Julie Lee, Vice President